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 AUDITED ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2020 was RMB19,784.9 million, representing an increase of 5.0% year-on-year.
- Profit attributable to owners of the Company for the year ended December 31, 2020 was RMB1,700.0 million, representing an increase of 24.7% year-on-year.
- Basic earnings per share of the Company for the year ended December 31, 2020 was RMB0.42, representing an increase of 23.5% year-on-year.
- The Board proposed a final dividend of RMB10.5 cents per share, equivalent to approximately HK12.48 cents per share, with total dividend amount of approximately RMB429,450,000 or HK$510,432,000, subject to the shareholders' approval on the final dividend at the annual general meeting for 2020.

The board (the "**Board**") of directors (the "**Director(s)**") of the China Risun Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 2020 (the "**Reporting Period**") together with the comparative audited consolidated figures for the year ended December 31, 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Notes	2020 *RMB'000* (Audited)	2019 *RMB'000* (Audited)
Revenue	4	**19,784,866**	18,842,038
Cost of sales and services		**(16,561,423)**	(16,259,130)
Gross profit		**3,223,443**	2,582,908
Other income		**116,176**	161,520
Other gains and losses		**27,865**	104,970
Impairment losses under expected credit model, net of reversal		**(1,005)**	5,978
Selling and distribution expenses		**(789,337)**	(778,717)
Administrative expenses		**(441,186)**	(381,599)
Listing expenses		**–**	(15,835)
Profit from operations		**2,135,956**	1,679,225
Finance costs		**(532,032)**	(465,579)
Share of results of associates		**(4,688)**	25,734
Share of results of joint ventures		**398,479**	439,999
Profit before taxation		**1,997,715**	1,679,379
Income tax expense	5	**(296,812)**	(305,711)
Profit for the year		**1,700,903**	1,373,668
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translating foreign operations		**2,678**	8,310
Other comprehensive income for the year		**2,678**	8,310
Total comprehensive income for the year		**1,703,581**	1,381,978

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended December 31, 2020

	Notes	**2020** ***RMB'000*** **(Audited)**	2019 *RMB'000* (Audited)
Profit for the year attributable to:			
Owners of the Company		**1,700,041**	1,363,165
Non-controlling interests		**862**	10,503
		1,700,903	1,373,668
Total comprehensive income for the year			
Owners of the Company		**1,702,719**	1,371,475
Non-controlling interests		**862**	10,503
		1,703,581	1,381,978
Basic Earnings per share *(RMB)*	6	**0.42**	0.34
Diluted Earnings per share *(RMB)*		**N/A**	0.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
		(Audited)	(Audited)
Non-current assets			
Property, plant and equipment		**11,056,657**	9,751,346
Right-of-use assets		**1,119,374**	1,144,603
Goodwill		**31,808**	31,808
Intangible assets		**78,748**	75,914
Interests in associates		**346,623**	351,311
Interests in joint ventures		**1,355,575**	1,230,431
Other long term receivables and prepayments	8	**2,589,411**	1,588,154
Financial assets at fair value through profit or loss ("**FVTPL**")		**251,038**	222,105
Deferred tax assets		**187,787**	202,242
		17,017,021	14,597,914
Current assets			
Inventories		**1,507,383**	963,679
Income tax prepayments		**7,311**	28,015
Other receivables	9	**1,825,706**	1,600,527
Trade and bills receivables measured at fair value through other comprehensive income ("**FVTOCI**")	9	**1,005,281**	699,479
Amounts due from related parties		**367,717**	167,653
Financial assets at FVTPL		**8,175**	10,525
Restricted bank balances		**1,294,656**	1,073,747
Cash and cash equivalents		**1,181,390**	1,059,857
		7,197,619	5,603,482

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At December 31, 2020

	Notes	2020 RMB'000 (Audited)	2019 RMB'000 (Audited)
Current liabilities			
Financial liabilities at FVTPL		**52,329**	1,866
Trade and other payables	10	**3,798,062**	3,051,228
Contract liabilities		**994,517**	938,950
Income tax payable		**237,097**	249,305
Bank and other loans		**7,771,801**	7,290,471
Lease liabilities		**27,790**	19,885
Amounts due to related parties		**168,006**	338,066
		13,049,602	11,889,771
Net current liabilities		**(5,851,983)**	(6,286,289)
Total assets less current liabilities		**11,165,038**	8,311,625
Non-current liabilities			
Bank and other loans		**2,725,933**	1,369,167
Lease liabilities		**41,736**	26,184
Deferred income		**81,652**	80,021
Deferred tax liabilities		**39,314**	36,151
		2,888,635	1,511,523
Net assets		**8,276,403**	6,800,102
Capital and reserves			
Share capital		**354,699**	354,699
Reserves		**7,777,664**	6,336,705
Total equity attributable to owners of the Company		**8,132,363**	6,691,404
Non-controlling interests		**144,040**	108,698
Total equity		**8,276,403**	6,800,102

NOTES TO THE AUDITED 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. 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 and relevant operation management services (the "**Core Business**") in the People's Republic of China (the "**PRC**" or "**China**"). 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, 2020, the Group had net current liabilities of RMB5,851,983,000. The Directors are of the opinion that, taking into consideration the availability of unutilized banking facilities of the Group amounting to RMB8,887,928,000 at the report date, of which RMB3,128,928,000 is unconditional, RMB4,212,000,000 is with conditions to be determined by certain banks and RMB1,547,000,000 is the outstanding portion of syndicated loans for special purpose of construction of certain production lines , and the assumption that approximately 55% of bank loans and other banking facilities at December 31, 2020 will be successfully renewed upon maturity, the Group has sufficient financial resources to meet its capital expenditure and working capital requirements when they fall due for the foreseeable future. Accordingly, the consolidated financial statements are prepared on a going concern basis.

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

3. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year (Continued)

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the 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.

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 and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase2[5]
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[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs Standards 2018-2020[2]

1 Effective for annual periods beginning on or after January 1, 2023
2 Effective for annual periods beginning on or after January 1, 2022
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after June 1, 2020
5 Effective for annual periods beginning on or after January 1, 2021

Except for the new and amendments to IFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 16 Property Plant and Equipment-proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognized and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 *Inventories*.

3. APPLICATION OF AMENDMENTS TO IFRSs (CONTINUED)

Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Amendments to IAS 16 Property Plant and Equipment-proceeds before Intended Use (Continued)

The Group's existing accounting policy is to account for sale proceeds on samples produced during testing as reduction of cost of the relevant property, plant and equipment. Upon application of the amendments, such sale proceeds and the related costs will be included in profit and loss with corresponding adjustments to the cost of property, plant and equipment. During the year ended December 31, 2020, sale proceeds and related costs included in property, plant and equipment amounted to RMB24,435,000 and RMB21,804,000 respectively.

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 operation management services. Except for the provision of operation management services, which was recognized over time, the revenue of the remaining operations 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 *Revenue from Contracts with Customers*, 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 purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under IFRS 8 *Operation Segments* 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 segment: 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.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Year ended/as at December 31, 2020 (Audited)				
	Coke and Coking Chemicals Manufacturing	**Refined Chemicals Manufacturing**	**Operation Management**	**Trading**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from contracts with external customers					
Sale of coke and coking chemicals	**8,715,621**	**–**	**20,484**	**–**	**8,736,105**
Sale of refined chemicals	**–**	**5,845,621**	**420,912**	**–**	**6,266,533**
Trading	**–**	**–**	**–**	**4,622,776**	**4,622,776**
Management services	**–**	**–**	**159,452**	**–**	**159,452**
	8,715,621	**5,845,621**	**600,848**	**4,622,776**	**19,784,866**
Inter-segment revenue	**822,912**	**201,498**	**–**	**–**	**1,024,410**
Reportable segment revenue	**9,538,533**	**6,047,119**	**600,848**	**4,622,776**	**20,809,276**
Reportable segment result	**1,932,528**	**(20,178)**	**131,696**	**62,979**	**2,107,025**
Unallocated head office and corporate expenses					**(109,310)**
Consolidated profit before taxation					**1,997,715**
Reportable segment assets (including interests in associates and joint ventures)	**9,466,094**	**9,182,620**	**809,763**	**3,383,078**	**22,841,555**
Reportable segment liabilities	**5,867,401**	**6,315,371**	**125,133**	**3,272,583**	**15,580,488**
Other information:					
Additions to non-current segment assets during the year	**898,716**	**1,178,314**	**–**	**20,235**	**2,097,265**
Share of results of associates	**658**	**(5,346)**	**–**	**–**	**(4,688)**
Share of results of joint ventures	**398,479**	**–**	**–**	**–**	**398,479**
Depreciation and amortization for the year	**312,394**	**396,571**	**20,130**	**7,923**	**737,018**

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Year ended/as at December 31, 2019 (Audited)				
	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	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
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

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment revenue, results, assets and liabilities.

	Year ended/as at December 31	
	2020	2019
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**20,809,276**	19,982,709
Elimination of inter-segment revenue	**(1,024,410)**	(1,140,671)
Consolidated revenue	**19,784,866**	18,842,038
Results		
Reportable segment results	**2,107,025**	1,782,170
Listing expenses	**–**	(15,835)
Unallocated head office and corporate expenses	**(109,310)**	(86,956)
Profit before taxation	**1,997,715**	1,679,379
Assets		
Reportable segment assets	**22,841,555**	19,429,384
Unallocated head office and corporate assets	**1,373,085**	772,012
Consolidated total assets	**24,214,640**	20,201,396
Liabilities		
Reportable segment liabilities	**15,580,488**	13,369,998
Unallocated head office and corporate liabilities	**357,749**	31,296
Consolidated total liabilities	**15,938,237**	13,401,294

Geographic information

Substantially of the Group's revenue and profit were derived from the PRC sales and all principal assets employed by the Group are located in the PRC during the reporting period.

Major customers

No individual customer had transactions exceeding 10% of the Group's turnover for each reporting periods.

5. INCOME TAX EXPENSE

	Year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Current tax		
PRC income tax for the year	**279,194**	265,424
Land appreciation tax	**–**	(18,005)
Deferred tax charge	**17,618**	58,292
	296,812	305,711

6. EARNINGS PER SHARE

Basic earnings per share for the year ended December 31, 2020 and basic and diluted earnings per share for the year ended December 31, 2019 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares issued.

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

	Year ended December 31	
	2020	2019
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Earnings		
Profit attributable to the owners of the Company *(RMB'000)*	**1,700,041**	1,363,165
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,090,000,000**	3,947,068,493
Effect of dilutive potential ordinary shares:		
– over-allotment options	**–**	115,711
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,090,000,000**	3,947,184,204

7. DIVIDENDS

	Year ended December 31	
	2020	**2019**
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Dividends recognised as distribution during the year:		
2020 Interim, paid – HK$2.92 cents per share	**105,522**	–
2019 Final, paid – HK$4.19 cents per share	**156,238**	
2018 Final, paid – HK$17.44 cents per share	**–**	626,588
2019 Interim, paid – HK$6.89 cents per share	**–**	252,762
	261,760	879,350

Subsequent to the end of the Reporting Period, the proposed final dividend in respect of the year ended at December 31 2020 of RMB10.5 cents per ordinary share with total amount of RMB429,450,000 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. OTHER LONG TERM RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Prepayments for property, plant and equipment	**395,690**	211,920
Loan receivables	**368,367**	–
Deposits for right-of-use assets	**50,000**	–
Deposits for operation management services *(note a)*	**675,000**	675,000
Deposits and prepayments for proposed acquisition of subsidiaries *(note b)*	**1,088,000**	675,000
Others	**30,175**	30,467
Less: Allowance for credit losses	**(17,821)**	(4,233)
	2,589,411	1,588,154

8. OTHER LONG TERM RECEIVABLES AND PREPAYMENTS (CONTINUED)

Note:

a. 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, a restructuring investor (the "**Joint Restructuring Investor**") acquired the Target Companies through its 100% owned investing vehicle, Wuhu Shunri Xinze Equity Investment Partnership (LP) ("**Shunri Xinze**"), and was assigned as the joint restructuring investor by the Lead Restructuring Investor.

   On September 12, 2019, the Group entered into a framework agreement with the Joint Restructuring Investor 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 Joint Restructuring Investor, 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 Joint Restructuring Investor. The deposits for operation management services was transferred to the Joint Restructuring Investor by the Lead Restructuring Investor.

   On October 16, 2020, Risun Group Limited ("**Risun Chemicals**", formerly known as Risun Chemicals Limited), an indirect wholly-owned subsidiary of the Company, entered into an interests transfer agreement with the Joint Restructuring Investor and the general partner of Shunri Xinze (the "**GP**") and Shunri Xinze, pursuant to which Risun Chemicals will acquire the entire equity interests in Shunri Xinze (the "**Acquisition**"). The total consideration of the Acquisition is RMB4.91 billion , of which, RMB1.35 billion will be settled by the deposits for operation management services and deposits for proposed acquisition of subsidiaries, and the remaining is payable by Risun Chemicals in installments, with the last installment to be paid on or before September 15, 2024. On December 23,2020, the Group paid RMB413,000,000 to GP by cash.

   The Acquisition was completed on January 15, 2021.

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

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Trade receivables measured at FVTOCI	**541,495**	381,893
Bills receivables measured at FVTOCI	**463,786**	317,586
Trade and bills receivables measured at FVTOCI	**1,005,281**	699,479
Prepayments for raw materials	**1,153,479**	677,109
Other deposits, prepayments and other receivables	**94,178**	63,152
Loan receivables	**34,000**	365,000
Receivables for relocation compensation	**139,091**	272,087
Receivables on behalf of third parties as a trading agency	**230,506**	213,872
Deductible input Value Added Tax and prepaid other taxes and charges	**197,179**	58,654
Less: impairment	**(22,727)**	(49,347)
Other receivables	**1,825,706**	1,600,527

As at 1 January 2019, trade and bill receivables from contracts with customers amounted to RMB3,179,295,000.

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,	
	2020	2019
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Within one month	**399,913**	364,889
1 to 3 months	**120,931**	4,890
3 to 6 months	**2,611**	2,792
6 to 12 months	**18,040**	9,322
	541,495	381,893

10. TRADE AND OTHER PAYABLES

	As at December 31,	
	2020	2019
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Trade payables	**892,193**	1,249,686
Payables to be settled by the endorsed bills receivable	**177,325**	159,808
Bills payable	**549,513**	458,236
Payables on behalf of third parties as a trading agency	**883,222**	357,546
Payables for construction in progress	**794,695**	469,739
Other tax payables	**181,119**	89,954
Other payables and accruals	**319,995**	266,259
Analyzed for reporting purposes as:		
Current liabilities	**3,798,062**	3,051,228

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,	
	2020	2019
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Within 3 months	**744,673**	928,177
3 to 6 months	**69,487**	109,434
6 to 12 months	**29,672**	111,619
1–2 years	**15,040**	62,155
2–3 years	**14,339**	18,103
More than 3 years	**18,982**	20,198
	892,193	1,249,686

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 processing volume in 2020, according to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., ("**Frost & Sullivan**") an independent global consulting firm. Other than the largest independent coke processing volume in the world, we held leading positions in a number of refined chemical sectors in China or globally in 2020. According to Frost & Sullivan, the Group was the largest producer of industrial-naphthalene-based phthalic anhydride and coke-oven-gas-based methanol by volume in China in 2020. The Group was also the largest coking crude benzene processor and the second largest coal tar processor by volume globally in 2020.

If 2019 was a year with rapid development in the history of Risun, then 2020 was a year mixed with different challenges and achievements to Risun and also the whole world.

Our expansion was by way of provision of operation management service, merger and acquisition, establishment of joint ventures, and other means, leveraging our development experience from the production bases in Xingtai and Dingzhou of Hebei Province. In 2020, we had eight production bases, located in Hebei Xingtai, Hebei Dingzhou, Hebei Tangshan, Hebei Cangzhou, Inner Mongolia Huhehaote, Shandong Dongming, Shandong Yuncheng and Liaoning Lingyuan. The main philosophy of our expansion is to enhance our annual processing volume in coke and refined chemicals industry and also deeper our production of the by-products of coke into other high potential refined chemicals. By doing so, we can develop a longer and deeper production chain from coke. In the long run, we can maintain our leading position of coke and refined chemicals industry and create values to our shareholders.

Our annual coke processing capacity increased from approximately 8.77 million tons in 2019 to approximately 11.13 million tons in 2020, while our annual coking chemicals processing capacity increased from approximately 3.55 million tons in 2019 to approximately 3.68 million tons in 2020. Our major coking and refined chemicals included coking crude benzene, industrial naphthalene phthalic anhydride, coke oven gas methanol, coal tar and caprolactam.

In January 2020, we continued our operation management service business by entering the operation management agreement with a coke producer with production capacity of 1,300,000 tons of coke and coking chemicals in Jiangxi.

In March 2020, we entered into a strategic cooperation framework agreement with the People's Government of Dingzhou City, Hebei Province, China on a project in relation to the production, storage and transportation of hydrogen and the construction and operation of hydrogen refueling stations. The production base has commenced trial production since July 2020, and in December 2020, we incorporated a new subsidiary in Dingzhou, which will be the vehicle to carry out the operation of hydrogen refueling stations.

In November 2020, Huhhot Risun China Gas Energy Limited, a joint venture of the Group, signed another hydrogen project framework agreement with the People's Government of Qingshuihe County, Huhhot. Similar to the project in Dingzhou, we are responsible for hydrogen energy production, hydrogen energy transportation and construction of hydrogen refueling stations in Qingshuihe. In March 2021, a 500 kg per day hydrogen refueling stations project in the production base in Xingtai of Hebei Province was included in the list of major projects for the hydrogen energy industry in Hebei Province in 2021 (the second batch), (河北省2021年氫能產業重點謀劃推進專案清單(第二批)), this was the third hydrogen energy project since Hebei Dingzhou and Inner Mongolia Huhehaote of the Group.

Currently, we manufacture coke oven gas with a production capacity of approximately 2,420 million cubic meters per annum, for internal use in our production base and external sales, while the production capacity of purified hydrogen production capacity was approximately 1,230 million cubic meters per annum.

In October 2020, our Tangshan Production Base, the first pure ethylene processing into styrene production facility in Hebei Province, China, commenced production of styrene with an annual production of 300,000 tons, and our pure ethylene processing technology is an advanced technology development within China.

In October 2020, we entered into an interests transfer agreement with China Cinda Asset Management Co., Ltd., Cinda Capital Management Co., Ltd. and Wuhu Shunri Xinze Equity Investment Partnership (LP) ("**Shunri Xinze**"), where we will acquire all LP Interests and GP Interests in Shunri Xinze in stages. In January 2021, Shunri Xinze together with the six chemicals enterprises became subsidiaries of the Company since then.

In November 2020, we entered into the Joint Venture Agreement with Pingxiang Mining Industry Group Co., Ltd. (萍鄉礦業集團股份有限公司) and Hunan Wujo Light Industry and Chemicals Group Co., Ltd. (湖南五江輕化集團有限公司), to jointly establish two joint ventures, being Pingxiang Risun Energy Co., Ltd. (萍鄉旭陽能源有限公司) (investing in the construction of the coking project), and Pingxiang Anyuan Glass Co., Ltd. (萍鄉安源玻璃有限公司) (investing in the construction of the glass project) by means of capital contribution.

In March 2021, we entered into a 5-year integrated sales and marketing agreement with an independent third party engaging in the production of coke and chemical products in Shanxi Province, China. We receive sales service fees at a rate of RMB40 per ton by sourcing and selling the coke products from the independent third party to our customers. More importantly, this allows us to expand our coke operation management services into Shanxi Province, which is currently the largest province in China in terms of coke output.

Considering the operating results in 2020 and our future development needs, and in order to share our results with shareholders, the Board recommended a final dividend of RMB10.5 cents per share, equivalent to approximately HK12.48 cents per share, with a total amount RMB429,450,000 or HK$510,432,000 for the year ended December 31, 2020. For the year ended December 31, 2020, the total amount of interim and final dividend was RMB535.0 million, representing no less than 30% of the net profit of the Group.

DEVELOPMENT STRATEGIES

Risun was founded in 1995 and up to 2020, we have a 25-years history of development, where we take advantage of our leading position, experience and technology in coke industry to drastically expand our four key business segments through the following development strategies. The Group aims to strengthen the global leading position as an integrated producer and supplier of coke, coking chemicals and refined chemicals.

(i) expansion of business operation and production capacity;

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

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

(iv) expansion of domestic and international trading business;

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

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

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

1. Scale advantageous ability

We are the world's largest independent coke producer and supplier of coke by processing volume and enjoying economies of scale which enabled us to become more competitive in terms of costs, product quality and customer relationships among the eight production bases in China.

2. Vertically integrated advantageous ability

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

3. **Production base advantageous 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 advantageous 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 and marketing advantageous ability**

We are market-oriented and all the products are sold under the brand "RISUN" via the centralized sale and marketing 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 advantageous ability**

Our research and technology personnel focuses on the innovation of production and 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 advantageous ability**

Our production bases are highly automated and we established a centralized system connecting our Manufacturing Execution System (MES), 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 advantageous ability**

We have adopted a number of measures and practices to reduce the environmental impact of our operations, such as preventing soil pollution, water pollution and air pollution in order to minimize 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 advantageous 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 price fluctuations and changes in demand for our products.

BUSINESS REVIEW

The Group recognised four business segments described as follow. During the year ended December 31, 2020 and up to the date of this announcement, we entered into four (2019: four) new operation management agreement and capital injection agreements with independent third parties in Jiangxi Province, Shangdong Province and Shanxi Province respectively.

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.

Apart from the nine abilities mentioned before, the reason that we are the leading global coke and refined chemical producer and supplier is the sophisticated planning ahead the industry. Since our history started in 1995, we formulate and execute a Five-Year Plan for every five years. We completed the fifth Five-Year Plan from 2016 to 2020 and are now formulating the sixth Five-Year Plan from 2021 to 2025. The major aim of the sixth Five-Year Plan is to achieve a total processing volume of coke to 30 million tonnes per annum by 2025 through different ways to increase our market share of coke and refined chemicals in China, ranging from setting up subsidiaries and/or joint ventures, acquisition of existing coke enterprises and operation management services to other coke enterprises.

In November 2020, we formed two joint ventures with Pingxiang Mining Industry Group Co., Ltd. and Hunan Wujo Light Industry and Chemicals Group Co., Ltd., namely Pingxiang Risun Energy Co., Ltd., and Pingxiang Anyuan Glass Co., Ltd. which will invest in the 3.6 million tonnes/year coking project (1.8 million tonnes/year for phase 1 and 1.8 million tonnes/year for phase 2) and the 1,200 tonnes/day float glass and further processed glass project, respectively, located in Xiangdong Industrial Park in Pingxiang City, Jiangxi Province, the PRC.

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

- Hongyu Project: Operation management services to a production capacity of 1,300,000 tons per annum of coke and coking chemicals in Jiangxi Province;

- Cinda Project: Completed the acquisition of production capacity of approximately 980,000 tons per annum of coke and approximately 500,000 tons per annum of refined chemicals in Shandong Province;

- Pingxiang Project: Setting up joint ventures with production capacity of 3,600,000 tonnes per annum of coke and coking chemicals in Jiangxi Province; and

- Shanxi Project: Operation management services to a production capacity of 1,200,000 tons per annum of coke and coking chemicals in Shanxi Province.

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, China.

We foresee that the requirement of environmental protection in terms of will be stricter in China. China is promoting the approach of "Carbon Neutral" by 2060, which means the achievement of net zero carbon emissions in the future. In doing so, renewable energy or more advanced environmental friendly production is going under replacement of traditional production. We view this approach as an opportunity to Risun, because other coke enterprises' existing coke production capacity will be phased out under the latest environmental protection measures promulgated by the government authorities in China. The selling price of coke will continue to bound back like happened in second half of 2020 due to the reduction of coke supply.

On the other hand, we will continue to expand our coke production capacity by constructing new coke facilities, just like what we carried out in 2019 and 2020. Please refer to "Business Prospects" in this announcement for details.

EVENTS AFTER THE REPORTING PERIOD

The following significant event took place subsequent to December 31, 2020:

The Group completed the acquisition of Shunri Xinze on January 15, 2021. Details of the acquisition are set out in the Group's circular dated December 8, 2020. The acquisition is conducive to the future business expansion of the Group in the coke and refined chemicals market.

BUSINESS PROSPECTS

Looking forward to our next Five-Year Plan from 2021 to 2025, the Group will make use of different ways of operation management, merger and acquisition together with the setup of joint ventures with well-known geographical large enterprises to increase our market share in coke production and processing volume and refined chemicals.

Coke

The coke industry was under the supply-demand reform in 2020, which will continue in 2021. The reform is to eliminate the coke production capacity from high-polluted coke enterprises. Coking furnaces of 4.3 meters or below in China had ceased operation since December 2020, the demand of coke will be supplemented by the other existing coke production capacity from other coke enterprises.

We expand our coke production/processing capacity by different ways, such as merger and acquisition of existing coke enterprises, setting up joint venture with other coke/steel enterprise or operation managing existing coke enterprises. Through our business expansion, we believe that our market share will increase from currently 1.7% to a high single-digit percentage or even a double-digit percentage in China in the next five years.

In addition to our domestical expansion plan within China, we are also exploring opportunities overseas in order to leverage the risk of environmental protection policies in China and the expansion by setting up coking production/processing capacity in other countries.

Refined chemicals

We will also enhance the production capacity of refined chemicals facilities. Apart from the commencement of annual production capacity of 300,000 tons of styrene in 2020, we are now expanding the production capacity of caprolactam in Hebei and Shandong Province, since caprolactam is one of the potential refined chemicals with positive business prospect in China.

Hydrogen

We are committed to speed up the construction progress of the hydrogen development projects, strive to build Hebei Dingzhou and Inner Mongolia Hohhot into hydrogen energy demonstration cities and eventually become the hydrogen energy output bases in Northern China with the support of continuous research and development and technology innovation.

COVID-19

As the control measures over COVID-19 in China remains effective, we expect that the China economy will resume a steady growth in 2021 , which the Group's operation and production will benefit from.

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,	
	2020	2019
Gross profit margin[(1)]	**16.3%**	13.7%
Net profit margin[(2)]	**8.6%**	7.3%
EBITDA margin[(3)]	**16.5%**	15.1%
Return on equity[(4)]	**20.9%**	20.4%
Gearing ratio[(5)]	**1.3**	1.3

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, 2020 (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	**8,715,621**	**5,845,621**	**600,848**	**4,622,776**	**19,784,866**
Gross profit	**2,460,463**	**387,403**	**156,358**	**219,219**	**3,223,443**

	For the year ended December 31, 2019 (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	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

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 RMB942.9 million, or 5.0%, to approximately RMB19,784.9 million for the year ended December 31, 2020, from approximately RMB18,842.0 million for the year ended December 31, 2019, primarily due to increased revenues from the coke and coking chemical manufacturing business and trading business.

Revenue from the coke and coking chemical business increased by 1.1% from RMB8,621.5 million for the year ended December 31, 2019 to RMB8,715.6 million for the year ended December 31, 2020 primarily as a result of the slight increase of sale volume of the coke from 4.93 million tons to 4.98 million tons, and offset by slight decrease in the average selling price from RMB 1,708.4 per ton to RMB 1,698.3 per ton.

Revenue from the refined chemical business decreased by 18.3% from RMB7,155.7 million for the year ended December 31, 2019 to RMB5,845.6 million for the year ended December 31, 2020, primarily due to a decrease in selling price of most refined chemical products caused by the outbreak of COVID-19 and the decrease in international crude oil price, affecting the demand for refined chemical products of the Group.

Revenue from the operation management business decreased by 41.9% from RMB1,033.4 million for the year ended December 31, 2019 to RMB600.8 million for the year ended December 31, 2020, primarily due to the decrease in revenue in connection with the expiry of our operation management services with a third-party coke producer in May 2019.

Revenue from the trading business increased by 127.6% from RMB2,031.5 million for the year ended December 31, 2019 to RMB4,622.8 million for the year ended December 31, 2020, primarily due to the increase in trading volume of coking coal and coke.

(b) Cost of sales

Cost of sales increased from RMB16,259.1 million for the year ended December 31, 2019 to RMB16,561.4 million for the year ended December 31, 2020 primarily due to the increase of trading business.

Cost of sales from the coke and coking chemical business decreased by 13.4% from RMB7,219.4 million for the year ended December 31, 2019 to RMB6,255.2 million for the year ended December 31, 2020, primarily due to the decrease of coking coal price.

Cost of sales from the refined chemical business decreased by 13.6% from RMB6,317.4 million for the year ended December 31, 2019 to RMB5,458.2 million for the year ended December 31, 2020, primarily due to the decrease in the price of chemical raw material.

Cost of sales from the operation management business decreased by 47.9% from RMB853.5 million for the year ended December 31, 2019 to RMB444.5 million for the year ended December 31, 2020, primarily due to the expiration of the management services to a third-party coke producer.

Cost of sales from the trading business increased by 135.6% from RMB1,868.9 million for the year ended December 31, 2019 to RMB4,403.6 million for the year ended December 31, 2020, primarily due to the increase in trading volume of coking coal and coke.

(c) Gross profit and gross profit margin

The Group's total gross profit increased by approximately RMB640.5 million, or 24.8%, to approximately RMB3,223.4 million for the year ended December 31, 2020, from approximately RMB2,582.9 million for the year ended December 31, 2019. Gross profit margin increased to 16.3% for the year ended December 31, 2020, from 13.7% for the year ended December 31, 2019.

Gross profit from the coke and coking chemical business increased by 75.5% from RMB1,402.1 million for the year ended December 31, 2019 to RMB2,460.5 million for the year ended December 31, 2020. Gross profit margin for the coke and coking chemical business increased from 16.3% for the year ended December 31, 2019 to 28.2% for the year ended December 31, 2020, primarily because the decrease in the coking coal price.

Gross profit from the refined chemical business decreased by 53.8% from RMB838.2 million for the year ended December 31, 2019 to RMB387.4 million for the year ended December 31, 2020. Gross profit margin for the refined chemical business decreased from 11.7% for the year ended December 31, 2019 to 6.6% for the year ended December 31, 2020.

Gross profit from the operation management decreased by 13.1% from RMB179.9 million for the year ended December 31, 2019 to RMB156.4 million for the year ended December 31, 2020. Gross profit margin for the operation management increased from 17.4% for the year ended December 31, 2019 to 26.0% for the year ended December 31, 2020, primarily due to the expiration of the management services to a third-party coke producer.

Gross profit from the trading business increased by 34.7% from RMB162.7 million for the year ended December 31, 2019 to RMB219.2 million for the year ended December 31, 2020. Gross profit margin for the trading business decreased from 8.0% for the year ended December 31, 2019 to 4.7% for the year ended December 31, 2020 because the increase in trading volume of coking coal and coke.

(d) Other gains and losses

The Group's other gains and losses consist primarily of fair value gain/(loss) on future contracts, derivative financial instruments-swaps and listed equity securities, loss on foreign exchange and gain on disposal of property, plant and equipment and right-of-use assets. The Group had other gains of RMB27.9 million for the year ended December 31, 2020, compared to other gains of RMB105.0 million for the year ended December 31, 2019. The change is primarily due to (i) a fair value loss on derivative financial instruments-swaps 69.7 million for the year ended December 31,2020, and (ii) impairment losses of property, plant and equipment (mainly the dimethyl ether production facilities).

(e) Selling and distribution expenses

Selling and distribution expenses increased by RMB10.6 million or 1.4% from RMB778.7 million for the year ended December 31, 2019 to RMB789.3 million for the year ended December 31, 2020, primarily due to the increase in the transportation expenses.

(f) Administrative expenses

Administrative expenses increased by approximately RMB59.6 million or 15.6% from approximately RMB381.6 million for the year ended December 31, 2019 to approximately RMB441.2 million for the year ended December 31, 2020, primarily due to increase in research and development expense and staff cost.

(g) Finance costs

Finance cost primarily consist of interest expenses on bank loans, other loans and finance expenses on discount of bills receivables. The Group's finance cost increased by RMB66.4 million or 14.3% from RMB465.6 million for the year ended December 31, 2019 to RMB532.0 million for the year ended December 31, 2020. The increase was mainly due to an increase in interest on bank and other loans.

(h) Share of results of associates

Share of results of associates decreased by 118.3% from RMB25.7 million for the year ended December 31, 2019 to share of loss from associates of RMB4.7 million for the year ended December 31, 2020, primarily due to the share of losses from Cabot Risun Chemical (Xingtai) Co., Ltd.

(i) Share of results of joint ventures

Share of results of joint ventures decreased by RMB41.5 million or 9.4% from RMB440.0 million for the year ended December 31, 2019 to RMB398.5 million for the year ended December 31, 2020, primarily due to a decrease in the shared profit of Hebei China Coal Risun Energy Limited.

(j) Profit before taxation

As a result of the foregoing factors, the profit before taxation increased by approximately RMB318.3 million or 19.0% from approximately RMB1,679.4 million for the year ended December 31, 2019 to approximately RMB1,997.7 million for the year ended December 31, 2020.

(k) Income tax expense

The Group incurred income tax expense of approximately RMB296.8 million for the year ended December 31, 2020 and approximately RMB305.7 million for the year ended December 31, 2019 respectively at effective tax rates of 14.9% and 18.2%. The decrease in income tax expense is mainly due to the High and New Technology Enterprise tax concession of Hebei Risun Energy.

(l) Profit for the year

For the year ended December 31, 2020, the Group recorded a net profit of approximately RMB1,700.9 million, representing an increase of approximately 23.8% as compared to the net profit of approximately RMB1,373.7 million for the year ended December 31, 2019.

At December 31, 2020, the Group had net current liabilities of RMB5,851,983,000. The directors of the Company (the "Directors") are of the opinion that, taking into consideration the availability of unutilized banking facilities of the Group amounting to RMB8,887,928,000 at the report date, of which RMB3,128,928,000 is unconditional, RMB4,212,000,000 is with conditions to be determined by a bank, and RMB1,547,000,000 is the outstanding portion of syndicated loans for special purpose of construction of certain production lines, and the assumption that approximately 55% of bank loans and other banking facilities at December 31, 2020 will be successfully renewed upon maturity, the Group has sufficient financial resources to meet its capital expenditure and working capital requirements 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. 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, 2020, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in RMB and deposits denominated in RMB that are readily convertible into cash.

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

	As of and for the year ended December 31,	
	2020	2019
	RMB in millions	*RMB in millions*
Net cash generated from operating activities	**1,141.5**	876.7
Net cash used in investing activities	**(2,194.9)**	(197.7)
Net cash from (used) in financing activities	**1,177.9**	(378.7)
Net increase in cash and cash equivalents	**124.5**	300.4
Cash and cash equivalents at the end of the year	**1,181.4**	1,059.9

(a) Net cash generated from operating activities

For the year ended December 31, 2020, our net cash generated from operating activities was approximately RMB1,141.5 million and was more than our net cash generated from operating activities for the year ended December 31, 2019 of approximately RMB876.7 million, primarily due to the increase of profit.

(b) Net cash used in investing activities

For the year ended December 31, 2020, our net cash used in investing activities was increased from approximately RMB197.7 million for the year ended December 31, 2019 to approximately RMB2,194.9 million primarily due to the decrease of withdrawal of restricted bank deposits.

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

For the year ended December 31, 2020, our net cash generated from financing activities was approximately RMB1,177.9 million while our net cash used in financing activities was approximately RMB378.7 million for the year ended December 31, 2019. The variance was primarily due to the decrease of dividend paid to shareholders and the immediate holding company.

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,	
	2020	2019
	RMB in millions	*RMB in millions*
Bank loan, secured	**3,550.3**	3,146.8
Bank loan, unsecured	**3,648.9**	2,981.5
Other loans, secured	**1,146.3**	1,090.3
Other loans, unsecured	**273.7**	337.1
Discounted bills financing	**1,878.5**	1,103.9
Total	**10,497.7**	8,659.6

	As of December 31,			
	2020		2019	
	RMB in million	***%***	*RMB in million*	*%*
Fixed rate bank and other borrowings	**7,295.4**	**2.99%~12.00%**	5,302.8	1.50%~12.00%
Floating rate bank and other borrowings	**3,202.3**	**2.89%~11.4%**	3,356.8	3.51%~11.7%
Total	**10,497.7**		8,659.6	

The total borrowings increased by approximately RMB1,838.1 million, or 21.2%, to approximately RMB10,497.7 million as of December 31, 2020 from RMB8,659.6 million as of December 31, 2019, 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,	
	2020	2019
	RMB in millions	*RMB in millions*
USD	**757.3**	1,424.7
EUR	**–**	117.0
Total	**757.3**	1,541.7

(b) Lease liabilities/obligations under finance leases

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

	As of December 31,	
	2020	2019
	RMB in millions	*RMB in millions*
Within one year	**27.8**	19.9
After 1 year but within 2 years	**12.7**	20.8
After 2 years but within 5 years	**24.5**	5.4
After 5 years	**4.5**	–
Total	**69.5**	46.1

FUTURE PLANS AND USE OF PROCEEDS

The shares of the Company were listed on March 15, 2019 (the "**Listing Date**") 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, 2020** *(HK$ million)*	**Estimated timetable**
Debt repayments	745.6	745.6	–	
Investment plans	559.2	559.2	–	
Environmental protection plans and system upgrade	372.8	299.3	73.5	December 2021
Working capital	186.4	186.4	–	
Total	1,864	1,790.5	73.5	

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

During the year ended December 31, 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

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 optimized 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.

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, 2020.

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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the 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, 2020 as set out in this preliminary announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the 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 this preliminary announcement.

REVIEW OF AUDITED ANNUAL RESULTS

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2020, 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.

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 RMB429,450,000 or HK$510,432,000 (dividend amount of each ordinary share is RMB10.5 cents, equivalent to approximately HK12.48 cents per share) for the year ended December 31, 2020 to all shareholders. The ratio of final dividend distribution for the year was based on the various factors such as business performance in 2020 and the business prospect in future, provided that it shall be no less than 30% of our annual distributable earnings for 2020. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting for 2020 (the "**AGM**") of the Company and the audited results of the Group for the year ended December 31, 2020. The expected final dividend payment date will be on or before June 30, 2021.

THE AGM AND CLOSURE OF REGISTER OF MEMBERS

AGM is scheduled to be held on May 24, 2021, the notice of which will be published and dispatched to the shareholders as soon as practicable in accordance with the Company's Articles of Association and the Listing Rules. The register of members of the Company will be closed from May 17, 2021 to May 24, 2021 (both days inclusive), during which period no transfer of shares of the Company will be effected, for the purpose of ascertaining the shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on May 14, 2021.

PUBLICATION OF AUDITED 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, 2020 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.

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

Hong Kong, March 26, 2021

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