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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)

POSITIVE PROFIT ALERT

This announcement is made by China Risun Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the year ended December 31, 2021 (the “**Current Year**”), the performance of coke and refined chemicals manufacturing businesses is substantially better than that for the year ended December 31, 2020 (the “**Previous Year**”). The Group is expecting to record an increase in net profit by over 50% for the Current Year as compared with that for the Previous Year. Such increase was mainly due to:

(1) MAINTAINING AT THE LEVEL OF OVER 11 MILLION TONS OF COKE AND REFINED CHEMICALS PRODUCTION/PROCESSING VOLUME

the production/processing volume of coke and refined chemicals by the subsidiaries, joint ventures and operation management projects of the Group continues to maintain at a high level of over 11 million tons per annum for the Current Year. The Group continues to be the world’s largest independent producer and supplier of coke. The Board is of the view that the coke and refined chemicals production/processing volume of tens millions level is attributable to the provision of operation management service, merger and acquisition, and establishment of joint ventures undertaken in the past and whose operations have become mature in the Current Year;

(2) WIDENING THE PRICE SPREAD OF THE COKE PRODUCTS

the increase of average selling price of the Group's coke products to approximately RMB2,755.2 per ton in the Current Year (Previous Year: approximately RMB1,698.3 per ton), representing an increase of 62.2% on a year-to-year basis, while the average cost of coal increased by a lesser extent to RMB1,378.9 per ton in the Current Year (Previous Year: approximately RMB911.8 per ton), representing an increase of 51.2% on a year-to-year basis. This widened the price spread between the coke products sold and raw materials procured in 2021 when compared to the price spread in 2020; and

(3) SUCCESSFUL ACQUISITION OF 100% OF SHUNRI XINZE

the further expansion of the Group's production capacity by means of acquisitions and mergers, and operation management services contributes to the growth of business of the Group. In January 2021, the Group completed the acquisition of Wuhu Shunri Xinze Equity Investment Partnership (LP) (“**Shunri Xinze**”) (蕪湖順日信澤股權投資合夥企業(有限合夥)) (“**順日信澤**”), which directly holds six coke and chemicals enterprises, which had made contribution of approximately not more than RMB370 million to the Group's net profit for the Current Year.

Other than the above, the selling and distribution expenses and administrative expenses increased from approximately RMB1,200 million for the Previous Year to approximately not less than RMB1,900 million for the Current Year, representing an increase of approximately RMB700 million or 58% on a year-to-year basis. The increase in these expenses is due to higher transportation costs and staff costs incurred resulting from larger volume of coke and refined chemicals sold and more staff employed. The Group is taking different approaches to enhance our efficiency in production and management, such as increasing the delivery proportion by railway transportation rather than by highway transportation, promoting the construction of digitalized factories so as to optimize the manpower level when the Group is developing different production bases in local and overseas markets.

The average selling price of coke products remained fluctuating in 2021, especially in the fourth quarter of 2021. The general direction of climate action goals of “striving to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060” in China will continue reforming the supply-side and speeding up the coke industry consolidation as well as structural improvement and reform. As a result, the demand-supply tension of coke caused the average selling price of coke products increased in the first half of 2021 and topped in the third quarter of 2021. In the fourth quarter of 2021 and under the policy of ensuring electricity and coal adequacy, the demand and supply in the coke market was weak and the situation of shortage of coal (i.e. raw materials for coke production) emerged, therefore, the average selling price of coke products dropped.

Under the general direction of climate action goals, the Company will continue to seize both local and overseas market opportunity , to internationalise our business and to enhance the production capacity of approximately 55 different coke and refined chemicals products as well as the financial performance of the Group through business development strategies.

The information contained in this announcement is only based on the preliminary assessment of the unaudited consolidated management accounts of the Group obtained by the Board. Such information has not been audited or reviewed by the Company's auditors or the audit committee of the Company and therefore may be subject to adjustment. The final results of the Group for the year ended December 31, 2021 are expected to be published before the end of March 2022 according to the requirements of the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, February 25, 2022

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