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, 2021

FINANCIAL HIGHLIGHTS

- Revenue for the year ended December 31, 2021 was RMB38,430.4 million, representing an increase of 94.2% year-on-year.
- Profit attributable to owners of the Company for the year ended December 31, 2021 was RMB2,613.3 million, representing an increase of 58.1% year-on-year.
- Basic earnings per share of the Company for the year ended December 31, 2021 was RMB0.61, representing an increase of 52.5% year-on-year.
- The Board proposed a final dividend of RMB6.3 cents per share, equivalent to HK7.7 cents per share, with total final dividend amount of RMB279,720,000 or HK$341,880,000, subject to the shareholders' approval on the final dividend at the annual general meeting for 2021.

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, 2021 (the "**Reporting Period**") together with the comparative audited consolidated figures for the year ended December 31, 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

	Notes	2021 *RMB'000* (Audited)	2020 *RMB'000* (Audited) (Restated)
Revenue	5	**38,430,411**	19,784,866
Cost of sales and services		**(32,900,168)**	(16,561,423)
Gross profit		**5,530,243**	3,223,443
Other income		**137,365**	116,176
Other gains and losses		**(95,632)**	27,865
Impairment losses under expected credit model, net of reversal		**(115,633)**	(1,005)
Selling and distribution expenses		**(942,110)**	(789,337)
Administrative expenses		**(973,848)**	(488,237)
Profit from operations		**3,540,385**	2,088,905
Finance costs		**(904,931)**	(532,032)
Share of results of associates		**72,156**	(4,688)
Share of results of joint ventures		**490,269**	398,479
Profit before taxation		**3,197,879**	1,950,664
Income tax expense	6	**(601,840)**	(296,812)
Profit for the year		**2,596,039**	1,653,852
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translating foreign operations		**9,387**	2,678
Other comprehensive income for the year		**9,387**	2,678
Total comprehensive income for the year		**2,605,426**	1,656,530

	Notes	**2021**	2020
		RMB'000	*RMB'000*
		(Audited)	(Audited)
			(Restated)
Profit (loss) for the year attributable to:			
Owners of the Company		**2,613,314**	1,652,990
Non-controlling interests		**(17,275)**	862
		2,596,039	1,653,852
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**2,622,701**	1,655,668
Non-controlling interests		**(17,275)**	862
		2,605,426	1,656,530
Basic Earnings per share *(RMB)*	7	**0.61**	0.40
Diluted Earnings per share *(RMB)*		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At December 31, 2021

	Notes	**2021** **RMB'000** **(Audited)**	2020 *RMB'000* (Audited) (Restated)
Non-current assets			
Property, plant and equipment		**16,677,012**	11,123,326
Right-of-use assets		**1,722,474**	1,294,029
Goodwill		**232,435**	31,808
Intangible assets		**847,108**	78,748
Interests in associates		**393,421**	346,623
Interests in joint ventures		**1,778,744**	1,355,575
Other long term receivables and prepayments	9	**1,929,960**	2,589,411
Financial assets at fair value through profit or loss ("**FVTPL**")		**507,579**	251,038
Deferred tax assets		**125,251**	187,787
Restricted bank balances		**356,000**	–
Amounts due from related parties		**80,810**	–
		24,650,794	17,258,345
Current assets			
Inventories		**2,189,078**	1,507,383
Income tax prepayments		**22,644**	7,311
Other receivables	10	**3,605,522**	1,830,232
Trade and bills receivables measured at fair value through other comprehensive income ("**FVTOCI**")	10	**951,378**	1,005,281
Amounts due from related parties		**2,108,128**	367,717
Financial assets at FVTPL		**89,647**	8,175
Restricted bank balances		**900,073**	1,294,656
Cash and cash equivalents		**2,280,914**	1,181,955
		12,147,384	7,202,710

	Notes	**2021** ***RMB'000*** **(Audited)**	2020 *RMB'000* (Audited) (Restated)
Current liabilities			
Financial liabilities at FVTPL		**19**	52,329
Trade and other payables	11	**5,283,894**	3,911,642
Contract liabilities		**2,252,747**	994,517
Income tax payable		**839,803**	237,097
Bank and other loans		**8,209,846**	7,771,801
Lease liabilities		**71,208**	27,790
Amounts due to related parties		**183,024**	194,456
		16,840,541	13,189,632
Net current liabilities		**(4,693,157)**	(5,986,922)
Total assets less current liabilities		**19,957,637**	11,271,423
Non-current liabilities			
Bank and other loans		**5,376,834**	2,725,933
Lease liabilities		**142,800**	41,736
Deferred income		**127,736**	81,652
Deferred tax liabilities		**297,992**	39,314
Long-term payables		**2,901,000**	–
		8,846,362	2,888,635
Net assets		**11,111,275**	8,382,788
Capital and reserves			
Share capital		**383,604**	354,699
Reserves		**10,600,906**	7,884,049
Total equity attributable to owners of the Company		**10,984,510**	8,238,748
Non-controlling interests		**126,765**	144,040
Total equity		**11,111,275**	8,382,788

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 listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses 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 STATEMENTS

At December 31, 2021, the Group had net current liabilities of RMB4,693,157,000. The Directors are of the opinion that, taking into consideration the availability of unutilized banking facilities of the Group amounting to RMB6,903,512,000 at the report date, of which RMB6,447,940,000 is unconditional and RMB455,572,000 is the outstanding portion of syndicated loans for special purpose of construction of certain production lines, and the assumption that approximately 50% of bank loans and other banking facilities at December 31, 2021 will be successfully renewed upon maturity, the Group has sufficient financial resources to meet in full its financial obligations when they fall due for the next twelve months from the date of the issuance of this consolidated financial statements. Capital expenditure for business growth will only be taken place when the Group obtained new sources of financing. Accordingly, the consolidated financial statements are prepared on a going concern basis.

3. RESTATEMENTS ARISING FROM BUSINESS COMBINATION UNDER COMMON CONTROL

On September 2, 2021, Tangshan Risun Chemicals Limited ("**Tangshan Risun Chemicals**"), a wholly-owned subsidiary of the Company, acquired 100% equity interest in Tangshan Risun Petroleum & Chemicals Co., Ltd. ("**Tangshan Risun Petroleum**") at the consideration of RMB570,000,000, which was previously wholly-owned by Xuyang Holding Limited ("**Xuyang Holding**"), a company beneficially owned by the Ultimate Controlling Shareholder and his spouse. The acquisition was referred to as the "2021 Acquisition".

As the Group and Tangshan Risun Petroleum were under common control of the Ultimate Controlling Shareholder before and after the 2021 Acquisition, the acquisition is considered as a business combination under common control. The principle of merger accounting for business combination involving businesses under common control has therefore been applied. As a result, the consolidated financial statements have been prepared as if Tangshan Risun Petroleum was a subsidiary of the Company ever since it became under common control of the Ultimate Controlling Shareholder.

Accordingly, the consolidated statement of financial position as at December 31, 2020 have been restated to include the assets and liabilities of Tangshan Risun Petroleum at carrying amounts in the books of Xuyang Holding. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows have been prepared as if Tangshan Risun Petroleum was a subsidiary of the Group since January 1, 2020.

Respective notes to the consolidated financial statements have also been restated. All significant intragroup transactions, balances, income and expenses are eliminated on combination.

As a result of the 2021 Acquisition, the relevant line items in the consolidated statement of financial position as at December 31, 2020 have been restated. The following table shows the effect for each individual line item affected:

	The Group (as previously reported) *RMB'000*	**Effect of the 2021 Acquisition** *RMB'000*	**Eliminations** *RMB'000*	**The Group** (Restated) *RMB'000*
Non-current assets				
Property, plant and equipment	11,056,657	66,669	–	11,123,326
Right-of-use assets	1,119,374	174,655	–	1,294,029
Current assets				
Other receivables	1,825,706	4,526	–	1,830,232
Cash and cash equivalents	1,181,390	565	–	1,181,955
Current liabilities				
Trade and other payables	3,798,062	113,580	–	3,911,642
Amounts due to related parties	168,006	26,450	–	194,456
Capital and reserves				
Share capital	354,699	205,000	(205,000)	354,699
Reserves	7,777,664	(98,615)	205,000	7,884,049

As a result of the 2021 Acquisition, the relevant line items in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended December 31, 2020, have been restated. The following table shows the effect for each individual line item affected:

	The Group (as previously reported) *RMB'000*	**Effect of the 2021 Acquisition** *RMB'000*	**The Group** (Restated) *RMB'000*
Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2020			
Administrative expenses	(441,186)	(47,051)	(488,237)
Consolidated statement of cash flows for the year ended December 31, 2020			
Operating activities	1,141,480	28,827	1,170,307
Investing activities	(2,194,863)	(8,653)	(2,203,516)
Financing activities	1,177,860	(21,350)	1,156,510

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of 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[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 IFRS Standards 2018–2020[2]

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

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 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and *(Note)*

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

As at 31 December 2021, the Group's right to defer settlement for bank loans of RMB1,097,993,000 and long-term payables of RMB2,901,000,000 are subject to compliance with certain financial ratios within 12 months from the reporting date. Such bank loans and long-term payables were classified as non-current as the Group met such ratios at 31 December 2021. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess the potential impacts of the amendments in relation to the bank loans and long-term payables with financial and other covenants. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 December 2021.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB216,765,000 and RMB214,008,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

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.

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, 2021, sale proceeds and related costs included in property, plant and equipment amounted to RMB942,903,000 and RMB939,268,000, respectively.

5. REVENUE AND SEGMENT INFORMATION

During the year, 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, operation management services and trading. 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 CODM reviews operating results and financial information for each operating company separately. Accordingly, each operating company, including associates and joint ventures held by the relevant operating company, is identified as an operating segment. Those operating companies are aggregated into coke and coking chemicals segment, refined chemicals segment, operation management segment and trading segment respectively for segment reporting purpose after taking into account that those operating companies are operating in similar business model with similar target group of customers, similar products and similar methods used to distribute their products. 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, 2021 (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	**15,900,844**	**–**	**–**	**–**	**15,900,844**
Sale of refined chemicals	**–**	**12,579,203**	**188,408**	**–**	**12,767,611**
Trading	**–**	**–**	**–**	**9,688,958**	**9,688,958**
Management services	**–**	**–**	**72,998**	**–**	**72,998**
	15,900,844	**12,579,203**	**261,406**	**9,688,958**	**38,430,411**
Inter-segment revenue	**1,438,291**	**298,334**	**–**	**–**	**1,736,625**
Reportable segment revenue	**17,339,135**	**12,877,537**	**261,406**	**9,688,958**	**40,167,036**
Reportable segment result	**2,837,149**	**595,590**	**35,978**	**242,384**	**3,711,101**
Unallocated head office and corporate expenses					**(513,222)**
Profit before taxation					**3,197,879**
Reportable segment assets (including interests in associates and joint ventures)	**13,348,381**	**15,956,428**	**114,535**	**6,433,174**	**35,852,518**
Reportable segment liabilities	**8,350,050**	**8,932,430**	**95,911**	**5,151,833**	**22,530,224**
Other information:					
Additions to non-current segment assets during the year	**4,593,551**	**3,645,804**	**–**	**41,512**	**8,280,867**
Share of results of associates	**(2,929)**	**75,085**	**–**	**–**	**72,156**
Share of results of joint ventures	**490,269**	**–**	**–**	**–**	**490,269**
Depreciation and amortization for the year	**555,100**	**735,987**	**20,130**	**8,779**	**1,319,996**

	Year ended/as at December 31, 2020 (Audited)				
	Coke and Coking Chemicals Manufacturing *RMB'000*	Refined Chemicals Manufacturing *RMB'000* (Restated)	Operation Management *RMB'000*	Trading *RMB'000*	Total *RMB'000* (Restated)
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	(67,229)	131,696	62,979	2,059,974
Unallocated head office and corporate expenses					(109,310)
Profit before taxation					1,950,664
Reportable segment assets (including interests in associates and joint ventures)	9,466,094	9,429,035	809,763	3,383,078	23,087,970
Reportable segment liabilities	5,867,401	6,455,401	125,133	3,272,583	15,720,518
Other information:					
Additions to non-current segment assets during the year	898,716	1,191,426	–	20,235	2,110,377
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	400,343	20,130	7,923	740,790

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

	Year ended/as at December 31,	
	2021	2020
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Reportable segment revenue	**40,167,036**	20,809,276
Elimination of inter-segment revenue	**(1,736,625)**	(1,024,410)
Consolidated revenue	**38,430,411**	19,784,866
Results		
Reportable segment results	**3,711,101**	2,059,974
Unallocated head office and corporate expenses *(Note)*	**(513,222)**	(109,310)
Profit before taxation	**3,197,879**	1,950,664
Assets		
Reportable segment assets	**35,852,518**	23,087,970
Unallocated head office and corporate assets	**945,660**	1,373,085
Consolidated total assets	**36,798,178**	24,461,055
Liabilities		
Reportable segment liabilities	**22,530,224**	15,720,518
Unallocated head office and corporate liabilities *(Note)*	**3,156,679**	357,749
Consolidated total liabilities	**25,686,903**	16,078,267

Note: Included in unallocated head office and corporate liabilities as at December 31, 2021 and unallocated head office and corporate expenses during the year ended December 31, 2021 were unpaid consideration for acquisition of a subsidiary of RMB2,901,000,000 and interests expense arising from the unpaid consideration of RMB301,066,000, respectively.

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.

6. INCOME TAX EXPENSE

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Current tax		
PRC income tax for the year	**542,307**	263,444
Withholding tax for the year	**25,000**	15,750
Deferred tax charge	**34,533**	17,618
	601,840	296,812

7. EARNINGS PER SHARE

Basic earnings per share for the year ended December 31, 2021 and December 31, 2020 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,	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
		(Restated)
Earnings		
Profit attributable to the owners of the Company *(RMB'000)*	**2,613,314**	1,652,990
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,292,732,240**	4,090,000,000
Basic earnings per share *(RMB)*	**0.61**	0.40

8. DIVIDENDS

	Year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Dividends recognised as distribution during the year:		
2021 Interim, paid – RMB12.3 cents per share	**546,120**	–
2020 Final, paid – RMB10.5 cents per share	**466,200**	–
2020 Interim, paid – HK2.92 cents per share	**–**	105,522
2019 Final, paid – HK4.19 cents per share	**–**	156,238
	1,012,320	261,760

Subsequent to the end of the Reporting Period, the proposed final dividend in respect of the year ended at December 31, 2021 of RMB6.3 cents per ordinary share with total amount of RMB279,720,000 (2020: RMB466,200,000) has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

9. OTHER LONG TERM RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Prepayments for property, plant and equipment	**1,246,186**	395,690
Loan receivables *(Note a)*	**358,709**	368,367
Prepayments for right-of-use assets	**30,662**	50,000
Deposits for operation management services	**–**	675,000
Deposits and prepayments for proposed acquisition of subsidiaries	**–**	1,088,000
Receivables for relocation compensation *(Note b)*	**139,091**	–
Deposits for other loans	**178,064**	–
Others	**41,315**	30,175
Less: Allowance for credit losses	**(64,067)**	(17,821)
	1,929,960	2,589,411

Notes:

a. As at December 31, 2021 and 2020, loan receivable of RMB300,000,000 represents an entrusted loan to a third party through a licensed financial institution, which carries interest at 5.75% and will be matured in July 2023.

b. Receivables for relocation compensation amounting to RMB139,091,000 represents the compensation in relation to a relocation of one of its plants between locations in Dingzhou City, which was presented as current assets in prior years. As at December 31, 2021, after negotiation with local government, the compensation was expected to be paid before June 30, 2023 and therefore accounted as non-current assets.

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

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
		(Restated)
Trade receivables measured at FVTOCI	**509,911**	541,495
Bills receivables measured at FVTOCI	**441,467**	463,786
Trade and bills receivables measured at FVTOCI	**951,378**	1,005,281
Prepayments for raw materials	**2,209,398**	1,153,479
Other deposits, prepayments and other receivables	**270,001**	98,704
Loan receivables	**–**	34,000
Receivables for relocation compensation	**63,502**	139,091
Receivables on behalf of third parties as a trading agency	**643,326**	230,506
Deductible input Value Added Tax and prepaid other taxes and charges	**480,927**	197,179
Less: impairment	**(61,632)**	(22,727)
Other receivables	**3,605,522**	1,830,232

As at January 1, 2020, trade and bill receivables from contracts with customers amounted to RMB699,479,000.

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,	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Within one month	**326,630**	399,913
1 to 3 months	**33,407**	120,931
3 to 6 months	**3,078**	2,611
6 to 12 months	**146,796**	18,040
	509,911	541,495

11. TRADE AND OTHER PAYABLES

	As at December 31,	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
		(Restated)
Trade payables	**1,688,476**	892,193
Payables to be settled by the endorsed bills receivable	**271,583**	177,325
Bills payable	**730,964**	549,513
Payables on behalf of third parties as a trading agency	**603,850**	883,222
Payables for construction in progress	**1,140,154**	794,695
Other tax payables	**181,640**	181,119
Payroll payables	**296,427**	132,209
Other payables and accruals	**370,800**	301,366
Analyzed for reporting purposes as:		
Current liabilities	**5,283,894**	3,911,642

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,	
	2021	2020
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Within 3 months	**1,327,271**	744,673
3 to 6 months	**73,393**	69,487
6 to 12 months	**67,819**	29,672
1–2 years	**190,769**	15,040
2–3 years	**5,188**	14,339
More than 3 years	**24,036**	18,982
	1,688,476	892,193

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is an integrated coke, coking chemical and refined chemical producer and supplier together with relevant operation management services provider in China. The Group maintains as the world's largest independent producer and supplier of coke by production/processing volume in 2021, according to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., ("**Frost & Sullivan**") an independent global consulting firm. Other than being the largest independent coke producer and supplier of coke in the world, the Group held leading positions in a number of refined chemical sectors in China or globally in 2021. 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 2021. The Group was also the largest coking crude benzene processor and the third largest coal tar processor by volume globally in 2021.

In 2021, the Group kept its track in growth and expansion from last year in order to cope with different challenges ahead and to create more value to the shareholders of the Company. The expansion was made by two different ways – both operation management services and acquisition of entities. The growth was also made at two different latitudes – not only focusing on opportunities in China but also establishing new production bases overseas. In the past, all production bases of the Group were located in different provinces in China, while starting from 2021, the Group actively explored opportunities in different places of Asia, for example Sulawesi Province, Indonesia.

In 2021, the Group had eight production bases, where there were seven bases in China located in Hebei Xingtai, Hebei Dingzhou, Hebei Tangshan, Hebei Cangzhou, Inner Mongolia Huhehaote, Shandong Dongming and Shandong Yuncheng, and one new base in Sulawesi Province, Indonesia. The main philosophy of our expansion is to increase our annual production/processing volume in coke and refined chemicals industry and also widen the refining and production of high-end refined chemicals from the by-product of coke production. By doing so, the Group can develop a longer and wider production chain of approximately 55 types of refined chemicals currently. In the long run, we will maintain our leading position of coke industry and capture more leading positions of other refined chemicals, such as Caprolactam (CPL) and other new materials within refined chemicals industry.

In view of the operating results in 2021, the recent development of economy and future development needs, as well as sharing the results of the Group with Shareholders, the Board recommended a final dividend of RMB6.3 cents per share, equivalent to HK7.7 cents per share, with a total amount of RMB279,720,000 or HK$341,880,000 for the year ended December 31, 2021.

INDUSTRY RANKING

The Group's annual coke production/processing capacity maintained approximately 11 million tons in both 2021 and 2020, while the annual refined chemicals production/processing capacity increased from approximately 3.68 million tons in 2020 to approximately 3.86 million tons in 2021. The major coking and refined chemicals included coking crude benzene, industrial naphthalene phthalic anhydride, coke oven gas methanol, coal-tar pitch, caprolactam (CPL) and hydrogen products.

BUSINESS REVIEW

The Group's vertically integrated business model and its experience of more than 26 years in the coke industry production chain enables the Group to widen the downstream refined chemicals industry. Currently, the Group has four business segments ranging from coke and coking chemicals manufacturing, refined chemicals manufacturing, operation management services and trading. During the Reporting Period and up to the date of this announcement, the Group entered into three new operation management agreements and three joint venture agreements to further expand our business presence in Shanxi Province and Jilin Province, China, as well as Sulawesi Province, Indonesia.

The Group completed the acquisition of Wuhu Shunri Xinze Equity Investment Partnership (LP) ("**Shunri Xinze**") in January 2021, whose geographical layout covered Shandong Province. This was one of the important steps to develop the coking business in another province out of Hebei Province. The acquisition has been the first major acquisition since the listing in March 2019.

Apart from the existing four business segments, the Group actively participated in the hydrogen industrialization plan in Hebei Dingzhou, Inner Mongolia Hohhot and Hebei Xingtai, China. The Group aimed to become a clean and low-carbon hydrogen energy supplier. Focusing on the rapid development of hydrogen energy industry in Beijing-Tianjin-Hebei area, the Group is committed to develop from production, storage, transportation, hydrogenation to usage together with radiation of intelligent supply of hydrogen to the whole country with advanced technology and more customer-oriented services.

Other than Japan, the Group was also exploring other trading opportunities around the world and especially within the Asia Pacific region. The Group was considering setting up subsidiaries for trading of raw materials of the coke and refined chemicals industry in Singapore and Indonesia.

Below is the table summarizing the key business activities of the Group for 2021 and up to the date of this announcement:

Time	Business Activities
March 2021 – Expansion of Coke Operation Management Services into Shanxi Province, China	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 with a sales service fees of RMB40 per ton for sourcing and selling the coke products from the independent third party to our customers.
May 2021 – New Operation Management Services Agreement in Jilin Province, China	Entered into a new operation management services agreement with respect to a plan in construction with production capacity of 1,200,000 tons per annum of coke and coking chemicals in Jiangxi Province.
June 2021 – Joint Investment in and Establishment of a Joint Venture*	Entered into a joint venture agreement with Tianjin Xintiangang Project Management Co., Ltd. and Stephanie Development Pte. Ltd., pursuant to which the three parties agreed to jointly establish, by way of capital injection, PT. De Tian Coking Co., Ltd., for the investment in the construction of a coking project (with a capacity of 4.7 million tons/year) in Morowali Industrial Park in Sulawesi, Indonesia.
July 2021 – Joint Investment in and Establishment of a Joint Venture*	Entered into a joint venture agreement with Zoomwe Hong Kong Energy Trading Co., Limited and Dawn International Capital Pte. Ltd., pursuant to which the parties agreed to jointly establish, by way of capital injection, Risun Wei Shan New Energy for the investment in the construction of a coking project (with a production capacity of 4.8 million tons/year) in Morowali Industrial Park in Sulawesi, Indonesia.
July 2021 – Joint Investment in and Establishment of a Joint Venture*	Entered into a joint venture agreement, pursuant to which the parties agreed to jointly establish, by way of capital injection, PT. KinXiang New Energy Technologies Indonesia, for the investment in the construction of a coking project (with a production volume of 3.9 million tons/year) in Morowali Industrial Park in Central Sulawesi, Indonesia.

Time	Business Activities
August 2021 – Acquisition of Tangshan Risun Petroleum	Entered into the Equity Transfer Agreement, pursuant to which Xuyang Holding has agreed to transfer 100% equity interest in Tangshan Risun Petroleum & Chemicals Co., Ltd. to the Group.
March 2022 – Establishment of Wuhu Changyu Limited Partnership	Entered into the partnership agreement with Great Wall (Tianjin) Equity Investment Fund Management Co., Ltd., pursuant to which the parties agreed to jointly establish Wuhu Changyu Investment Centre (Limited Partnership) in sourcing potential investment in the coal industry.

* The Company obtained written shareholder's approval for these transactions pursuant to Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting was held.

DEVELOPMENTAL STRATEGY

The Group was founded in 1995 and up to 2021, the Group has more than 26 years of development history, where we take advantage of our leading position, experience, technology and digitalization in coke industry to drastically expand our four business segments together with the hydrogen products business through different development strategies. The Group aims to strengthen the global leading position as an integrated producer and supplier of coke and coking chemicals, refined chemicals and hydrogen products and relevant operation management services provider.

Apart from the above development strategies, there are nine competitive advantageous abilities that the Group believed and enabled to deploy and execute the development strategies effectively in order to enhance the leadership in coke and coking chemicals, refined chemical industry and hydrogen products business:

1. Scale advantageous ability

The Group is the world's largest independent coke producer and supplier of coke by production/processing volume and enjoy 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

The vertically integrated business model helps improving the Group's 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 the production bases are located in industrial parks approved by local government authorities. The production bases are located near most of the major customers and suppliers and transportation infrastructure, such as national railway networks, major highways, expressways and ports, which provide the Group with multiple transportation options.

4. Cost control advantageous ability

The Group actively control the expenditures in cost of sales and services, selling and distribution expenses, administrative expenses, finance costs and income tax expenses. The Group 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 both in coke and refined chemicals.

5. Centralized sale and marketing advantageous ability

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

6. Innovation advantageous ability

The 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. The Group also commits to improving product added value and extending the industrial chain.

7. Automation and information technologies advantageous ability

The 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. The Group also uses the mobile internet, cloud computing, internet of things, big data and intelligent manufacturing technologies in the operations of the Group.

8. Environmental safety advantageous ability

The Group adopts a number of measures and practices to reduce the environmental impact of the 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 the Group's resource recovery and re-utilization. During the coking process, the Group recover and re-utilize valuable coking by-products, from which we manufacture our refined chemical products. With the 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

The Group monitors 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 can 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 PROSPECTS

The Group's net profits for the year maintained a 3-year consecutive growth from RMB1.4 billion in 2019 (since when the Group has been listed on the Stock Exchange), to RMB1.7 billion in 2020 and then to RMB2.6 billion in 2021. At the same time, 2021 is the kick-off year of our next Five – Year Plan up to 2025. Looking forward, the Group will make use of different ways of operation management, merger and acquisition together with the setup of joint ventures with well-known enterprises to increase our market share by production/processing of coke and refined chemicals.

Coke

The coke industry was under the supply-demand reform in the previous years, which will continue in 2022. The reform is to eliminate the coke production capacity from high-polluting 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. The Group believes that the selling price of coke will benefit from the supply-demand reform.

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 managing operations of 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 and Asia Pacific in the next five years. In 2022, the new coking project invested by the Group in Inner Mongolia, China will be completed in different phases and eventually will add approximately 3 million tonnes of coke to our production capacity. These new coke production capacities are particularly precious under the general direction of climate action goals of "striving to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060".

In addition to our domestic expansion plan within China, the Group is also exploring opportunities overseas in order to hedge the risk of unfavorable changes in environmental protection policies in China by setting up coking production/processing capacity in other countries.

Refined chemicals

The Group will also enhance the production capacity of refined chemicals facilities. The Group is 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. The Group expects that there will be a total of approximately 0.75 million tonnes of caprolactam per annum when the expansion is completed and such annual capacity enables the Group as one of the leading caprolactam participants in China.

Hydrogen products

We are committed to speed up the construction progress of the hydrogen development projects, strive to build Hebei Dingzhou, Inner Mongolia Hohhot and Hebe Xingtai 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

The outbreak of novel coronavirus in early 2020 had an impact on the world's economy. The PRC government has taken tight measures to retain the situation. The Group has also strictly followed the requirement by the PRC government and will observe any new instruction by relevant authorities of the PRC government in coming future.

Starting from 2022, it is noted that the outbreak in China is still mild when compared to the rest of world. Since our operation and production is mainly focused in China, we expect the China economy will rebound soon and will continue to monitor the effect to the operation and production of the Group.

EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2021, the Group entered into a partnership agreement with an external third party for the sourcing of potential investment in the coal industry in the future. As of the date of this announcement, the Group, as a limited partner, has injected RMB1,000 million by cash to the partnership as capital contribution.

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,	
	2021	2020
Gross profit margin[(1)]	**14.4%**	16.3%
Net profit margin[(2)]	**6.8%**	8.6%
EBITDA margin[(3)]	**14.2%**	16.5%
Return on equity[(4)]	**23.8%**	20.9%
Gearing ratio[(5)]	**1.5**	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 the inter-segment revenue):

	For the year ended December 31, 2021				
	Coke and coking chemicals manufacturing	**Refined chemicals manufacturing**	**Operation management services**	**Trading**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Total revenue	**15,900,844**	**12,579,203**	**261,406**	**9,688,958**	**38,430,411**
Gross profit	**3,701,348**	**1,210,339**	**37,136**	**581,420**	**5,530,243**

	For the year ended December 31, 2020				
	Coke and coking chemicals manufacturing	Refined chemicals manufacturing	Operation management services	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

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

(a) Revenue

Revenue for the year ended December 31, 2021 increased to RMB38,430.4 million when compared with RMB19,784.9 million for the year ended December 31, 2020.

Revenue from coke and coking chemicals manufacturing business increased by RMB7,185.2 million or 82.4% from RMB8,715.6 million for the year ended December 31, 2020 to RMB15,900.8 million for the year ended December 31, 2021, primarily due to an increase in the average selling price of coke from RMB1,698.3 per tonne for the year ended December 31, 2020 to RMB2,795.3 per tonne for the year ended December 31, 2021. The sales volume of coke for the year ended December 31, 2021 also increased 0.6 million tonnes due to the completion of acquisition of Shunri Xinze in January 2021.

Revenue from refined chemical manufacturing business increased by RMB6,733.6 million or 115.2% from RM5,845.6 million for the year ended December 31, 2020 to RMB12,579.2 million for the year ended December 31, 2021, primarily due to the rebound in the selling price of most refined chemical products since the outbreak of COVID-19 has become under control in China.

Revenue from the operation management business decreased by RMB339.4 million or 56.5% from RMB600.8 million for the year ended December 31, 2020 to RMB261.4 million for the year ended December 31, 2021, primarily due to the completion of the acquisition of Shunri Xinze, following which the operation management service for Shunri Xinze has been terminated and the operating result was included in manufacturing business segments for the year ended December 31, 2021.

Revenue from the trading business increased by RMB5,066.2 million or 109.6% from RMB4,622.8 million for the year ended December 31, 2020 to RMB9,689.0 million for the year ended December 31, 2021, primarily due to the increase in trading volume from the affiliated companies. The Group began to adopt a centralized purchasing and sales business model with the affiliated companies to improve our marketing management capabilities and efficiency.

(b) Cost of sales

Cost of sales for the year ended December 31, 2021 increased to RMB32,900.2 million when compared with RMB16,561.4 million for the year ended December 31, 2020.

Cost of sales from the coke and coking chemical manufacturing business increased by RMB5,944.3 million or 95.0% from RMB6,255.2 million for the year ended December 31, 2020 to RMB12,199.5 million for the year ended December 31, 2021, primarily due to the increase in market prices for coking coal and the increase in the volume of coke sold.

Cost of sales from the refined chemical manufacturing business increased by RMB5,910.7 million or 108.3% from RMB5,458.2 million for the year ended December 31, 2020 to RMB11,368.9 million for the year ended December 31, 2021, primarily due to the increase in the purchase price of raw material for refined chemicals.

Cost of sales from the operation management business decreased by RMB220.2 million or 49.5% from RMB444.5 million for the year ended December 31, 2020 to RMB224.3 million for the year ended December 31, 2021, primarily due to the cease of provision operation management services to Shunri Xinze after the completion of the acquisition of Shunri Xinze.

Cost of sales from the trading business increased by RMB4,703.9 million or 106.8% from RMB4,403.6 million for the year ended December 31, 2020 to RMB9,107.5 million for the year ended December 31, 2021, primarily as a result of the increase in trading volume from the affiliated companies.

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

The Group's total gross profit increased by approximately RMB2,306.8 million or 71.6% from approximately RMB3,223.4 million for the year ended December 31, 2020 to approximately RMB5,530.2 million for the year ended December 31, 2021. Gross profit margin decreased from 16.3% for the year ended December 31, 2020 to 14.4% for the year ended December 31, 2021.

Gross profit from the coke and coking chemical manufacturing business increased by RMB1,240.8 million or 50.4% from RMB2,460.5 million for the year ended December 31, 2020 to RMB3,701.3 million for the year ended December 31, 2021. Gross profit margin for the coke and coking chemical manufacturing business decreased from 28.2% for the year ended December 31, 2020 to 23.3% for the year ended December 31, 2021.

Gross profit from the refined chemical manufacturing business increased by RMB822.9 million or 212.4% from RMB387.4 million for the year ended December 31, 2020 to RMB1,210.3 million for the year ended December 31, 2021. Gross profit margin for the refined chemical manufacturing business increased from 6.6% for the year ended December 31, 2020 to 9.6% for the year ended December 31, 2021, primarily due to the rebound in the selling price of most refined chemical products.

Gross profit from the operation management business decreased by RMB119.3 million or 76.3% from RMB156.4 million for the year ended December 31, 2020 to RMB37.1 million for the year ended December 31, 2021. Gross profit margin for the operation management business decreased from 26.0% for the year ended December 31, 2020 to 14.2% for the year ended December 31, 2021, primarily due to the completion of the acquisition of Shunri Xinze.

Gross profit from the trading business increased by RMB362.2 million or 165.2% from RMB219.2 million for the year ended December 31, 2020 to RMB581.4 million for the year ended December 31, 2021. Gross profit margin for the trading business increased slightly from 4.7% for the year ended December 31, 2020 to 6.0% for the year ended December 31, 2021.

(d) **Other income**

The Group's other income consists primarily of interest income, income from production waste sales, and government grants received from several government authorities as subsidies for the Group's contribution to the environment protection, energy conservation recycling resources, relocation, purchase of land use rights, and infrastructure construction. Other income increased by RMB21.2 million or 18.2% from RMB116.2 million for the year ended December 31, 2020 to RMB137.4 million for the year ended 31 December, 2021 mainly due to the increase in interest income.

(e) Other gains and losses

The Group had other losses of RMB95.6 million for the year ended December 31, 2021 primarily due to the fair value losses of listed equity securities of RMB99.5 million for the year ended December 31, 2021.

(f) Impairment losses under ECL model, net of reversal

The Group had impairment losses under ECL model, net of reversal of RMB115.6 million for the year ended December 31, 2021 primarily due to the impairment loss of prepaid land use right deposit for Risun Ling Steel and impairment loss of compensation receivable from Dingzhou City Government.

(g) Selling and distribution expenses

Selling and distribution expenses increased by RMB152.8 million or 19.4% from RMB789.3 million for the year ended December 31, 2020 to RMB942.1 million for the year ended December 31, 2021, primarily due to an increase in transportation expenses and staff costs.

(h) Administrative expenses

Administrative expenses increased by approximately RMB485.6 million or 99.5% from approximately RMB488.2 million for the year ended December 31, 2020 to approximately RMB973.8 million for the year ended December 31, 2021, primarily due to an increase in staff costs and R&D expenses.

(i) Finance costs

Finance costs primarily consist of interest expenses on bank loans, other loans and finance expenses on discount of bills receivables. The Group's finance costs increased by RMB372.9 million or 70.1% from RMB532.0 million for the year ended December 31, 2020 to RMB904.9 million for the year ended December 31, 2021. The increase was mainly due to the interest on unpaid consideration for the acquisition of Shunri Xinze.

(j) Share of results of associates

Share of results of associates increased from a loss of RMB4.7 million for the year ended December 31, 2020 to a profit of RMB72.2 million for the year ended December 31, 2021, primarily due to the increase in the price of chemicals products.

(k) Share of results of joint ventures

Share of results of joint ventures increased by RMB91.8 million or 23.0% from RMB398.5 million for the year ended December 31, 2020 to RMB490.3 million for the year ended December 31, 2021, primarily due to the increase in profit shared from CNC Risun Energy and Risun China Gas.

(l) Profit before taxation

As a result of the foregoing factors, the profit before taxation increased by RMB1,247.2 million, or 63.9% from RMB1,950.7 million for the year ended December 31, 2020 to RMB3,197.9 million for the year ended December 31, 2021.

(m) Income tax expense

The Group incurred income tax expenses of RMB601.8 million for the year ended December 31, 2021 and RMB296.8 million for the year ended December 31, 2020 respectively at effective tax rates of 18.8% and 15.2%. The increase in income tax expense is mainly due to the increase in profit before taxation of RMB1,247.2 million.

(n) Profit for the period

For the year ended December 31, 2021, the Group recorded a net profit of RMB2,596.0 million, which represented an increase of RMB942.1 million or 57.0% as compared to the net profit of RMB1,653.9 million for the year ended December 31, 2020.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's primary uses of cash are operating costs, capital expenditures and repayment of debts in the PRC. To date, the Group has funded the investments and operations principally with cash from operations and debt financing from banks and other financial institutions. The Group believes that the liquidity requirements will be satisfied through a combination of cash flows generated from the operating activities, bank loans and other borrowings, and the net proceeds from the Global Offering in March 2019 and the Placing in June 2021. 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, 2021, cash and cash equivalents held by the Group were mainly cash in the banks and on hand denominated in RMB and deposits denominated in RMB that are readily convertible into cash.

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

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Net cash generated from operating activities	**4,205,355**	1,174,765
Net cash used in investing activities	**(5,126,726)**	(2,207,974)
Net cash generated from financing activities	**2,022,107**	1,156,510
Net increase (decrease) in cash and cash equivalents	**1,100,736**	123,301
Cash and cash equivalents at the beginning of the period	**1,181,955**	1,061,598
Effect of foreign exchange rate changes	**(1,777)**	(2,944)
Cash and cash equivalents at the end of the period	**2,280,914**	1,181,955

(a) Net cash generated from operating activities

For the year ended December 31, 2021, our net cash generated from operating activities was approximately RMB4,205.4 million and was more than our net cash generated from operating activities for the year ended December 31, 2020 of approximately RMB1,174.8 million, primarily due to the increase of profit and contract liabilities.

(b) Net cash used in investing activities

For the year ended December 31, 2021, our net cash used in investing activities was increased from approximately RMB2,208.0 million for the year ended December 31, 2020 to approximately RMB5,126.7 million primarily due to the increase of purchase of property, plant and equipment and loan to related parties.

(c) Net cash generated from financing activities

For the year ended December 31, 2021, our net cash generated from financing activities was increased from approximately RMB1,156.5 million for the year ended December 31, 2020 to approximately RMB2,022.1 million. The increase was primarily due to the proceeds from the issue of new shares at the Placing in June 2021.

INDEBTEDNESS

(a) Borrowings

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

	December 31, 2021	December 31, 2020
	RMB'000	*RMB'000*
Bank loan, secured	**5,286,852**	3,550,270
Bank loan, unsecured	**4,488,217**	3,648,967
	9,775,069	7,199,237
Other loans, secured	**2,331,098**	1,146,306
Other loans, unsecured	**41,224**	273,662
	2,372,322	1,419,968
Discounted bills financing	**1,439,289**	1,878,529
Total	**13,586,680**	10,497,734

	2021		2020	
	RMB in million	***%***	*RMB in million*	*%*
Fixed rate bank and other borrowings	**9,473.6**	**1.82%~12.00%**	7,295.4	2.99%~12.00%
Floating rate bank and other borrowings	**4,113.1**	**1.58%~8.00%**	3,202.3	2.89%~11.4%
Total	**13,586.7**		10,497.7	

The total borrowings increased by approximately RMB3.1 billion, or 29.5%, to approximately RMB13.6 billion as of December 31, 2021 from RMB10.5 billion as of December 31, 2020, primarily due to an increase in bank loan and other loan.

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

	As of December 31,	
	2021	2020
	RMB in millions	*RMB in millions*
USD	**1,023.9**	757.3
JPY	**3.7**	–
Total	**1,027.6**	757.3

(b) Lease liabilities

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

	December 31, 2021	December 31, 2020
	RMB'000	*RMB'000*
Lease liabilities	**214,008**	69,526

(c) Long-term payables

As of December 31, 2021, long-term payables for unpaid consideration for the acquisition of a subsidiary amounted to RMB2.9 billion. Such payables carry a contractual interest rate of 10% per annum.

FUTURE PLANS AND USE OF PROCEEDS

Listing on the Main Board of the Stock Exchange in March 2019

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. As at December 31, 2021, all the gross proceeds from the Listing were used up.

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

	Proposed use of net proceeds *(HK$ million)*	Unused net proceeds as at December 31, 2020 *(HK$ million)*	Actual use of net proceeds during the Reporting Period *(HK$ million)*	Unused net proceeds as at December 31, 2021 *(HK$ million)*
Debt repayments	745.6	–	–	–
Investment plans	559.2	–	–	–
Environmental protection plans and system upgrade	372.8	73.5	73.5	–
Working capital	186.4	–	–	–
Total	1,864	73.5	73.5	–

Placing of new shares in June 2021

The Company placed 350,000,000 new shares at the placing price of HK$5.90 per share (the "**Placing**") in June 2021 which has been the first issuance in equity capital market in Hong Kong since its listing is March 2019. During the Reporting Period, the net proceeds of HK$2,062.10 million from the Placing had been applied to upgrade the existing coke and coking chemicals and refined chemicals manufacturing equipment and environmental protection facilities and to fund the investment in overseas coke enterprises by 80% as well as to replenish the working capital of the Group by 20%. The Placing enabled the Company to obtain further equity funding for upgrading the Group's existing coke and coking chemicals and refined chemicals manufacturing equipment and environmental protection facilities as well as potential mergers and acquisitions, which is beneficial for the Group's future expansion and development.

In addition, the Placing further enlarged the Company's shareholders' equity base, optimized the capital structure of the Company, strengthened the financial position and liquidity of the Group and provided support and flexibility for the development of the Group.

As at December 31, 2021, the cash and cash equivalent reached RMB2,280.9 million (as at December 31, 2020: RMB1,182.0 million) reserved for the future development needs of the Group.

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

During the year ended December 31, 2021, 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, 2021.

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 Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on March 25, 2022. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the 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, 2021, 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 RMB279,720,000 or HK$341,880,000 (dividend amount of each ordinary share is RMB6.3 cents, equivalent to HK7.7 cents per share) for the year ended December 31, 2021 to all shareholders. The ratio of final dividend distribution for the year was based on the various factors such as business performance in 2021 and the business prospect in future, provided that it shall be no less than 30% of our annual distributable earnings for 2021. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting for 2021 (the "**AGM**") of the Company and the audited results of the Group for the year ended December 31, 2021. The expected final dividend payment date will be on or before June 30, 2022.

THE AGM AND CLOSURE OF REGISTER OF MEMBERS

AGM is scheduled to be held on May 27, 2022, 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 24, 2022 to May 27, 2022 (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 23, 2022.

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, 2021 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 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 Yinping.