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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)

PROFIT WARNING

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 of the Company (the “**Board**”) 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 six months ended June 30, 2024 (the “**Period**”) and the information currently available, the Group expects its net profit for the Period to decrease by approximately 80% to 85% as compared to the same period in 2023 (the “**Last Corresponding Period**”) due to a number of factors, including:

- (1) During the Period, the average price of the Group’s coke products dropped to approximately RMB2,000/ton (tax-exclusive), down approximately 16.2% from the Last Corresponding Period; and as of the end of July 2024, the Group’s coke price remained at approximately RMB1,900/ton (tax-exclusive). The Group has been controlling its blended coal prices through various effective means, maintaining a coal-coke price spread of approximately RMB320/ton or above, representing a decrease of approximately 1.5% from the Last Corresponding Period. The Group also managed to maintain steady price spreads in refined chemicals products such as alcohol-ammonia and aromatic chemicals during the Period;
- (2) During the Period, the Group’s coke business volume and refined chemicals production volume increased by approximately 800,000 tons and 280,000 tons, respectively, from the Last Corresponding Period. In May 2023, Huhhot Risun China Gas Energy Limited* (“**Risun China Gas**”) became a subsidiary of the Group. Risun China Gas contributed 6 months’ revenue and expenses to the consolidated financial statements for the Period (Last Corresponding Period: 1 month), resulting in simultaneous increases ranging from 20% to 30% in each of the Group’s selling/administrative expenses and finance costs; and

- (3) During the Last Corresponding Period, the Group recorded (i) other gains of approximately RMB251.16 million as a result of remeasurement of equity interest in the joint venture upon acquisition of additional equity interest in Risun China Gas; and (ii) a reversal of enterprise income tax of approximately RMB365.82 million in the income tax expense as a result of the deregistration of three wholly-owned subsidiaries and the completion of the necessary corporate tax clearance procedure (For the Period: no such gains or reversals).

The Group continues to control the coal-coke price spread by controlling the price of coal blending through various effective means. At the same time, the Group has also stepped up its efforts in controlling costs and expenses with a view to further reducing its selling, administrative expenses and finance costs. Notwithstanding the substantial decrease in net profit forecast for the Period, the Group's coke business volume and refined chemical production volume continued to grow, the overseas production base reached production and efficiency targets as planned, the coke and chemicals international business expanded proactively, the volume of high-purified hydrogen business increased significantly, and the management and staff of the Group made every effort to enhance the Group's comprehensive competitiveness in order to strengthen the Group's industrial leadership position. Based on these reasons, the Board is of the view that the overall operation and financial position of the Group remain healthy and sound. The Group will continue to uphold its excellent entrepreneurial spirit, strive to create value for the Company's Shareholders and investors, seize opportunities brought by industry consolidation, realize continuous growth in its business scale, expand the scope of its services, and strengthen its leadership position in China as well as the world by means of innovation and digitalization.

The information contained in this announcement is only based on the directors' preliminary assessment of the Group's unaudited consolidated management accounts. Such information has not been audited or reviewed by the Company's auditors or the audit committee of the Board, and is therefore subject to adjustment. The Company is still finalizing the Group's interim results for the six months ended June 30, 2024, which are expected to be published before the end of August 2024.

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

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

Hong Kong, August 9, 2024

As at the date of this announcement, the executive Directors are Mr. Yang Xuegang, Ms. Lu Xiaomei, Mr. Li Qinghua, Mr. Han Qinliang, Mr. Wang Nianping and Mr. Yang Lu; and the independent non-executive Directors are Mr. Yu Kwok Kuen Harry and Mr. Wang Yinping.

* *For identification purpose only*