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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)

INSIDE INFORMATION
POSSIBLE MAJOR TRANSACTION IN RELATION TO
SIX TARGET COMPANIES' BANKRUPTCY
RESTRUCTURING COOPERATION PROJECT

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

COOPERATION PROJECT

The Board is pleased to announce that on September 12, 2019 (after trading hours), Risun Chemicals, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with Cinda Asset Management, Cinda Capital Management and Wuhu Shunri, pursuant to which Risun Chemicals will cooperate with Cinda on six Target Companies' bankruptcy restructuring, mainly in respect of the following matters, after Cinda's acquisition of the equity interest in the six Target Companies:

- (1) Risun Chemicals has proposed to acquire no less than 99.99% of the equity interest in six Target Companies from Cinda. The acquisition consideration is expected to be no more than RMB4.5 billion; and can be paid by Risun Chemicals in instalments within five years after Cinda Asset Management and Cinda Capital Management made actual capital contribution to Wuhu Shunri, but the first installment shall be no less than RMB1.35 billion. Within the term of the instalment payment, Risun Chemicals shall pay Cinda compensation calculated based on an annual rate of 10% of the outstanding acquisition consideration.
- (2) Risun Chemicals will continue to provide the Entrusted Operations Management Services for the Target Companies. For the purpose of providing the Entrusted Operations Management Services, Risun Chemicals, Beijing Risun Hongye (another subsidiary of the Company), Wuhu Shunri, the Restructuring Investor and the Target Companies entered into the Entrusted Operations Management Agreement on the same day, which set out the arrangements of the Entrusted Operations Management Services to be provided by the Group. The Group expects that the Entrusted Operations Management Agreement will expire upon the Group completes the acquisition of 30% of equity interest in the Target Companies.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios are expected to be higher than 25% but are all lower than 100%, the Proposed Acquisition may constitute a major transaction under Chapter 14 of the Listing Rules and be subject to the announcement, shareholders' circular and shareholders' approval requirements.

In addition, as the Entrusted Operations Management Services are of revenue nature and conducted in the ordinary course of business of the Group, they will not constitute notifiable transactions under the Chapter 14 of the Listing Rules.

The Board wishes to emphasise that the Proposed Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing with the shares of the Company. The Company will make further announcement in due course in accordance with the Listing Rules in respect of the progress of the transactions under the Framework Agreement.

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I. BACKGROUND

In August 2018, the Heze Intermediate People's Court of Shandong Province ruled that 29 Hongye Group Companies (including the Target Companies) shall go through merger and bankruptcy restructuring procedures. Cinda, as the entity designated by the Restructuring Investor (an Independent Third Party) to participate in bankruptcy restructuring investment, is implementing bankruptcy restructuring in respect of Hongye Group Companies with the Restructuring Investor, and, to the best of the Directors' knowledge, is expected to acquire the entire controlling rights of Hongye Group Companies (including no less than 99.99% of the equity interest in six Target Companies) by the end of October 2019.

The six Target Companies are sizable enterprises with a complete industrial chain under the chemical sector of Hongye Group Companies, principally engaging in petrochemicals, coke and coking chemicals production and steam supply. Their plants are located in Shandong Dongming Engineering Plastic Industrial Park (山東省東明工程塑料產業園) and Shandong Yuncheng Chemical Industrial Park (山東省鄆城化工產業園). Pursuant to the Recruiting Restructuring Investors Announcement issued by the Insolvency Administrators in November 2018, the annual production capacity of the Target Companies' major equipment includes 1,200,000 tons of coke and coking chemicals, 200,000 tons of caprolactam, 80,000 tons of nylon 6 slices, 230,000 tons of vitriol, 260,000 tons of hydrogen peroxide and 150,000 tons of synthesis ammonia. Upon the completion of the bankruptcy restructuring, the Target Companies will not have repayment obligations for all of their existing debts.

Since July 2019, Risun Chemicals has been entrusted by the Restructuring Investor and the Insolvency Administrators for the provision of Entrusted Operations Management Services for Target Companies.

In view of the Target Companies' production capacity of major equipment, operation scale and market share in the region and with regard to the Group's development plan and strategy, the Company intends to participate in the bankruptcy restructuring cooperation in respect of the Target Companies.

II. COOPERATION PROJECT

The Group cooperates with Cinda in the bankruptcy restructuring of the six Target Companies, principally including the Proposed Acquisition and provision of the Entrusted Operations Management Services.

1. The Framework Agreement

Date	September 12, 2019 (after trading hours)
Framework Agreement Parties	(i) Risun Chemicals; (ii) Cinda Asset Management; (iii) Cinda Capital Management; and (iv) Wuhu Shunri.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, as of the date of this announcement, Cinda Asset Management, Cinda Capital Management, Wuhu Shunri and their respective ultimate beneficial owners are third parties independent of both the Company and its connected persons.

- Cooperation Method
- (1) cooperation through transfer of the Target Companies' equity interest , i.e. the Proposed Acquisition; and
 - (2) provision of Entrusted Operations Management Services.

Proposed Acquisition *Acquisition target*

Risun Chemicals has proposed to acquire no less than 99.99% of the equity interest in six Target Companies, while the specific transaction structure (such as directly acquiring the Target Companies' equity interest, or indirectly acquiring the Target Companies' equity interest through acquiring the interest in Wuhu Shunri) will be determined by further discussions among the Framework Agreement Parties after Cinda has completed the bankruptcy restructuring of Hongye Group Companies and obtained the Target Companies' equity interest.

Acquisition consideration and related payment arrangement

Acquisition consideration will be determined by the Framework Agreement Parties after arm's length negotiation on normal commercial terms when entering into the final transfer agreement. It is expected to be no more than RMB4.5 billion. After the entering into of the Framework Agreement, the Company will engage a third-party appraisal institution to conduct appraisal on the Target Companies' equity interest for the Proposed Acquisition, conduct due diligence investigation, and negotiate with Cinda on this basis, as to ensure the final acquisition consideration is fair and reasonable.

Acquisition consideration can be paid in instalments within five years after Cinda Asset Management and Cinda Capital Management made actual capital contribution to Wuhu Shunri, but the first installment shall be no less than RMB1.35 billion. If the final transfer agreement is entered into, the Company expects that the first completion of the Proposed Acquisition will occur by the end of 2019, while the last completion of the Proposed Acquisition will occur by the end of 2024. The Group expects to acquire 30% of equity interest in the Target Companies upon the first completion for which the Group will pay Cinda no less than RMB1.35 billion, while the remaining equity interest in the Target Companies will be transferred upon the payment of the remaining acquisition consideration.

Within three business days after the entering into of the Framework Agreement, Risun Chemicals shall deposit RMB675 million into Cinda Asset Management's designated account to secure preferential negotiation right. If the Framework Agreement is terminated through the Framework Agreement Parties' negotiations, or terminated due to reasons other than violation of the provisions of the Framework Agreement or other related agreements and letters in relation to the bankruptcy restructuring of the Hongye Group Companies entered into between Cinda and Risun Chemicals, Cinda shall return the deposit with accrued interests to Risun Chemicals within 20 business days.

Within the five years' term of the instalment payment of the acquisition consideration, Risun Chemicals shall pay Cinda compensation calculated based on an annual rate of 10% of the outstanding acquisition consideration.

The Company expects to pay the consideration of the Proposed Acquisition through internal resources and bank loans, of which internal resources will include some or all proceeds from the Company's global offering designated for investment plans, which is expected to be no more than HK\$559.2 million (or its equivalent in RMB).

Guarantee

The Company shall provide joint liability guarantee and/or such other guarantee measures as agreed by the Framework Agreement Parties in respect of the payment obligations of the outstanding acquisition consideration and corresponding compensation during the instalment payment period.

Exclusive Cooperation Within one year after the execution of the Framework Agreement, with respect to the Target Companies' bankruptcy restructuring and equity acquisition, Cinda can only negotiate, discuss and cooperate with Risun Chemicals if Risun Chemicals does not violate the terms of the Framework Agreement or other relevant agreements and letters in relation to the bankruptcy restructuring of Hongye Group Companies entered into between Cinda and Risun Chemicals.

Execution of the
Definitive Agreement The Framework Agreement does not constitute a definitive agreement on the rights and obligations in respect of the Target Companies' bankruptcy, restructuring and cooperation. The Framework Agreement Parties shall promote the implementation of the cooperation matters under the Framework Agreement in good faith and with the aim of reaching a transaction, and enter into a separate definitive agreement. The terms of the Proposed Acquisition are subject to the definitive agreement as may be entered into by the Framework Agreement Parties.

2. The Entrusted Operations Management Agreement

Since July 2019, Risun Chemicals has been entrusted by the Restructuring Investor and the Insolvency Administrators for the provision of Entrusted Operations Management Services for the Target Companies, in order to ensure continuing production and operation of each of the Target Companies. On September 12, 2019, Risun Chemicals, Beijing Risun Hongye, Wuhu Shunri, the Restructuring Investor and the Target Companies entered into the Entrusted Operations Management Agreement, pursuant to which Risun Chemicals and Beijing Risun Hongye agreed to provide Entrusted Operations Management Services for the Target Companies. The Group expects that the Entrusted Operations Management Agreement will expire upon the Group completes the acquisition of 30% of equity interest in the Target Companies.

As agreed in the Entrusted Operations Management Agreement, the Company will collect services fees based on certain percentage of a number of factors such as the stationed staff's labor cost, service fees, production volume and sales volume.

The Company confirms that, in determining the entrusted operations management fees on the Target Companies, it has referred to the fees charged by the Group for managing the same types of companies as well as the fee level of similar transactions in the PRC market.

III. REASONS FOR AND BENEFITS OF THE COOPERATION PROJECT

The Target Companies are sizable enterprises with a complete industrial chain under the chemical sector of Hongye Group Companies. Given the Target Companies' production capacity of major equipment, scale of operation and the market share in their respective regions and considering the Group's expansion plan, the Company is of the view that the acquisition of the Target Companies is conducive to the future business expansion of the Company and therefore intends to implement the Proposed Acquisition and the Entrusted Operations Management Services. Accordingly, the Company entered into the Framework Agreement and the Entrusted Operations Management Agreement.

After taking the above reasons into account, the Directors (including the independent non-executive directors) are of the view that the terms of the Framework Agreement and the Entrusted Operations Management Agreement are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IV. INFORMATION ON HONGYE GROUP COMPANIES AND THE TARGET COMPANIES

To the knowledge and belief of the Directors, the companies under Hongye Group Companies are all established in the PRC. These companies can be broadly classified by principal business into chemical, pharmaceutical, flour, peony and secured micro loan companies. Due to the fact that the Hongye Group Companies have convoluted legal person identities and their personnel, workplace, management, assets, finance and other aspects are intricately, Heze Intermediate People's Court of Shandong Province ruled in August 2018 that 29 Hongye Group Companies (including the Target Companies) shall go through bankruptcy and restructuring procedures.

The principal business of the Target Companies are the production of petrochemical products, coke and coking chemicals as well as steam supply. Their plants are located in Shandong Dongming Engineering Plastic Industrial Park (山東省東明工程塑料產業園) and Shandong Yuncheng Chemical Industrial Park (山東省鄆城化工產業園). The Target Companies were originally subsidiaries of Hongye Chemical Group Co., Ltd. (洪業化工集團股份有限公司) and controlled by Independent Third Parties. The Company

will disclose the financial data and valuation of the Target Companies in due course in accordance with the requirements of the Listing Rules after completing the equity appraisal and auditing of the Target Companies.

V. GENERAL INFORMATION

1. The Group

The Company is a leading integrated coke, coking chemical and refined chemical producer and supplier in China, with customers located in both China and overseas. The Group currently operates four production bases in Hebei Province, China. Risun Chemicals is an indirect wholly-owned subsidiary of the Company.

2. Cinda

Cinda Asset Management is a company listed on the Stock Exchange and the first financial asset management company approved by the State Council and established for the purpose of defusing financial risks effectively, maintaining the stability of financial system and promoting the reform and development of state-owned banks and enterprises, and its principal business includes distressed asset management, investment and asset management, as well as financial services.

Cinda Capital Management is a wholly-owned subsidiary of Cinda Asset Management, and its principal business is equity investment.

Wuhu Shunri is jointly established by Cinda Asset Management (as sole limited partner) and Cinda Capital Management (as sole general partner) for the exclusive purpose of taking over the equity interest in the six Target Companies upon the completion of the bankruptcy restructuring of Hongye Group.

Cinda Asset Management indirectly holds 48.28% of equity interest in Sino-Rock Investment Management Company Limited, which in turn indirectly holds 100% of the management shares in First Milestone SPC. As of the date of this announcement, First Milestone SPC holds 21.2% of the total issued shares of the Company. Save as described above, to the best of the Board's knowledge, information and belief and having made all reasonable enquiries, Cinda is not connected with the Group, and is not a connected person of the Company under the Listing Rules.

VI. IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios are expected to be higher than 25% but are all lower than 100%, the Proposed Acquisition may constitute a major transaction under Chapter 14 of the Listing Rules and be subject to the announcement, shareholders' circular and shareholders' approval requirements.

In addition, as the Entrusted Operations Management Services are of revenue nature and conducted in the ordinary course of business of the Group, they will not constitute notifiable transactions under Chapter 14 of the Listing Rules.

The Board wishes to emphasise that the Proposed Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing with the shares of the Company. The Company will make further announcement in due course in accordance with the Listing Rules in respect of the progress of the transactions under the Framework Agreement.

VII. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Beijing Risun Hongye”	Beijing Risun Hongye Chemicals Co., Ltd. (北京旭陽宏業化工有限公司), a limited liability company established in the PRC on February 2, 2008, and an indirect wholly-owned subsidiary of the Company
“Board”	the board of directors of the Company
“Cinda”	Cinda Asset Management, Cinda Capital Management and Wuhu Shunri
“Cinda Asset Management”	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a joint stock company incorporated in the PRC with limited liability and listed on the Stock Exchange (stock code: 1359), and an Independent Third Party
“Cinda Capital Management”	Cinda Capital Management Co., Ltd. (信達資本管理有限公司), a company incorporated in the PRC with limited liability, a wholly-owned subsidiary of Cinda Asset Management, and an Independent Third Party
“Company”	China Risun Group Limited (中國旭陽集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on November 8, 2007 and listed on the Stock Exchange (stock code: 1907)
“Cooperation Project”	the project that the Group cooperates with Cinda in respect of the Target Companies’ bankruptcy restructuring

“Directors”	the director(s) of the Company
“Entrusted Operations Management Agreement”	the entrusted operations management agreement entered into among Risun Chemicals, Beijing Risun Hongye, Wuhu Shunri, the Restructuring Investor and the Target Companies on September 12, 2019 in respect of the Entrusted Operations Management Services to be provided by the Group in respect of the Target Companies’ operation
“Entrusted Operations Management Services”	the entrusted operations management services to be provided by the Group in respect of the Target Companies’ operation in accordance with the Entrusted Operations Management Agreement
“Framework Agreement”	the framework agreement entered into by and among the Framework Agreement Parties on September 12, 2019 in respect of the Target Companies’ bankruptcy restructuring project
“Framework Agreement Parties”	Risun Chemicals, Cinda Asset Management, Cinda Capital Management and Wuhu Shunri
“Group”	the Company and its subsidiaries
“Hongye Group Companies”	Hongye Chemical Group Co., Ltd. (洪業化工集團股份有限公司) and its 28 subsidiaries, including the Target Companies
“Independent Third Party(ies)”	party(ies) independent of the Company and its connected persons
“Insolvency Administrators”	Shandong Huanzhou Law Firm (山東環周律師事務所) and Beijing Zhongyin Law Firm (北京市中銀律師事務所), insolvency administrators of Hongye Group Companies designated by Intermediate People’s Court of Heze Municipality, Shandong Province, and Independent Third Parties
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan region
“Proposed Acquisition”	the proposed acquisition by Risun Chemicals of all the equity interests in the Target Companies held by Cinda
“Restructuring Investor”	Heze Jinda Asset Management Co., Ltd. (荷澤金達資產管理有限公司), a restructuring investor of Hongye Group Companies designated by the Insolvency Administrators and an Independent Third Party
“Risun Chemicals”	Risun Chemicals Limited (旭陽化工有限公司), a limited liability company established in the PRC on January 8, 2010 and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Shandong Fangming Chemical Co., Ltd. (山東方明化工股份有限公司), Shandong Dongju Chemical Co., Ltd. (山東東巨化工股份有限公司), Shandong Hengshun Heat Supply Co., Ltd. (山東恒順供熱有限公司), Shandong Hongda Chemical Co., Ltd. (山東洪達化工有限公司), Shandong Yongzhi Chemical Co., Ltd. (山東勇智化工有限公司) and Shandong Hongding Chemical Co., Ltd. (山東洪鼎化工有限公司)
“Wuhu Shunri”	Wuhu Shunri Xinze Equity Investment Partnership (LP) (蕪湖順日信澤股權投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC by Cinda Asset Management, being the sole limited partner, and Cinda Capital Management, being the sole general partner, and an Independent Third Party

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

Hong Kong, September 12, 2019

As at the date of this announcement, the executive Directors of the Company 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 of the Company are Mr. Kang Woon, Mr. Yu Kwok Kuen Harry and Mr. Wang Yinping.