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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)

**FURTHER ANNOUNCEMENT ON
PROVISION OF GUARANTEE TO A JOINT VENTURE**

Reference is made to the discloseable transaction announcement of China Risun Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on the provision of guarantee to a joint venture dated February 21, 2020 (the “**Announcement**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the Company will charge CNC Risun Coking a guarantee fee of RMB439,500 upon signing the Facility Agreement. In order to determine the guarantee fee, the Company engaged an independent valuer to provide an independent calculation of the value of the Guarantee, by adopting the default calculation model and in accordance with IFRS 9 and the Statement on Standards for Valuation Services No. 1 issued by the American Institute of Certified Public Accountants and the International Valuation Standards issued by the International Valuation Standards Council. Under the default calculation model, the values of the liabilities associated with the Guarantee are estimated based upon an analysis of CNC Risun Coking’s ability to repay its debts and the potential financial loss for the Company, assuming future defaults happen in different periods. Based on the credit assessment on CNC Risun Coking conducted by the independent valuer, the cumulative probability of default of CNC Risun Coking is only 0.26% and 0.38% for the years ending December 31, 2020 and December 31, 2021, respectively, and the calculated value of the Guarantee is RMB439,500. Therefore, the Company has agreed to charge the guarantee fee in accordance with the aforesaid calculated value. Moreover, this calculated value for the Guarantee is on the basis that there is no further security provided to the guarantor.

The Company has in depth familiarity with the financial position and business operation of CNC Risun Coking. Whilst the Company does not consolidate CNC Risun Coking, it actively manages the daily operations of CNC Risun Coking, ranging from procurement, production, sales and marketing. The majority of the senior management team of CNC Risun Coking are nominated by the Group. As disclosed in the Company's 2018 annual report, the audited net assets of CNC Risun Coking as at December 31, 2018 is RMB1,896.6 million. The Company believes that CNC Risun Coking will have sufficient net assets to repay its debt, and even in the unlikely event of default, and the Company is required to meet CNC Risun Coking's repayment obligations under the Guarantee, the Company will be able to make full recovery of such repayment from the assets of CNC Risun Coking as its creditor. Moreover, to the best knowledge of the Directors, no credit default of CNC Risun Coking has occurred since 2003. There are no foreseeable events indicating that CNC Risun Coking will not be able to meet its repayment obligations under the Facility. Taking the above into consideration, the Company considers that default risk of CNC Risun Coking under the Facility Agreement is minimal.

The Company has great incentive to facilitate CNC Risun Coking in obtaining the Facility. The profit of CNC Risun Coking shared to the Group for the years ended December 31, 2016, 2017 and 2018 are RMB137.8 million, RMB225.5 million and RMB548.5 million, respectively, representing 38.4%, 29.9% and 26.3% of the profit attributable to owners of the Company. It is expected that by obtaining additional funding for its daily operation, CNC Risun Coking will improve its turnover capacity, which will generate substantial investment return to the Group in the long run. CNC Risun Coking also is one of the top 5 suppliers of the Group. It is confident that the senior management team of CNC Risun Coking will properly implement the business plans formulated by the Group, which in turn will guarantee a stable supply of raw materials to the Group. Therefore, the Directors are of the view that the provision of Guarantee is fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

Hong Kong, March 4, 2020

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.