

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**REVISED ANNUAL CAPS FOR
EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
NEW CONTINUING CONNECTED TRANSACTIONS UNDER
THE SALES FRAMEWORK AGREEMENT**

Reference is made to the Original Project Services Framework Agreement and the Original Chemicals Procurement Framework Agreement entered into by the Company and Xuyang Holding as set out in the section headed “Connected Transactions” in the Prospectus. Pursuant to these agreements, the Group procures the Project Services and chemicals from Xuyang Group. The Company expects the transaction amounts of the continuing connected transactions under the original framework agreements for the two years ending December 31, 2020 and 2021 to exceed the original annual caps. In addition, it is expected that the scope of the products to be procured will be broadened. As such, the Company entered into supplemental agreements with Xuyang Holding on April 29, 2020 to revise the annual caps for the two years ending December 31, 2020 and 2021 and/or scope of products to be procured under the original framework agreements.

On the same day, the Group and Xuyang Holding entered into the Sales Framework Agreement, pursuant to which the Group will provide Xuyang Group with refined chemicals for a term commencing from the date of the signing of the Sales Framework Agreement and ending on December 31, 2021.

LISTING RULES IMPLICATIONS

As Xuyang Holding is a company wholly-owned by Mr. Yang Xuegang, who is the controlling shareholder, executive Director, chief executive officer and chairman of the Board of the Company, and his spouse, Xuyang Holding is an associate of Mr. Yang Xuegang and is thus a connected person of the Company. Therefore, each of the Project Services, the Chemicals Procurement and the Supply of Refined Chemicals will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of each of the Project Services, the Chemicals Procurement and the Supply of Refined Chemicals exceed 0.1% but are less than 5%, each of these transactions is subject to the reporting, announcement and annual review requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. INTRODUCTION

Reference is made to the Original Project Services Framework Agreement and the Original Chemicals Procurement Framework Agreement entered into by the Company and Xuyang Holding as set out in the section headed "Connected Transactions" in the Prospectus. Pursuant to these agreements, the Group procures the Project Services and chemicals from Xuyang Group. The Company expects the transaction amounts of the continuing connected transactions under the original framework agreements for the two years ending December 31, 2020 and 2021 to exceed the original annual caps. In addition, it is expected that the scope of the products to be procured will be broadened. As such, the Company entered into supplemental agreements with Xuyang Holding on April 29, 2020 to revise the annual caps for the two years ending December 31, 2020 and 2021 and/or scope of products to be procured under the original framework agreements.

On the same day, the Group and Xuyang Holding entered into the Sales Framework Agreement, pursuant to which the Group will provide Xuyang Group with refined chemicals for a term commencing from the date of the signing of the Sales Framework Agreement and ending on December 31, 2021.

II. PROJECT SERVICES FRAMEWORK AGREEMENT AND PROJECT SERVICES

Date of the Supplemental Project Services Framework Agreement

April 29, 2020

Parties

- (i) the Company; and
- (ii) Xuyang Holding.

Scope of services

Pursuant to the Original Project Services Framework Agreement, Xuyang Group shall provide the Group with project design, construction management and general contracting services to improve the Group's energy conservation and environmental friendliness in order to meet the tightening energy conservation and environmental protection requirements imposed by relevant PRC government authorities while improving the efficiency and quality of the existing large-scale production facilities.

Pricing policies

The Group conducts public tender for each of the project that needs design, construction management and general contracting services. Interested bidders will be selected on the basis of the proposed prices, the achievable technical specifications, the business model and background of the bidders, the proposed payment terms and the estimated delivery dates. The bidder offering the best overall terms will be awarded the project. As such, the fees to be charged by Xuyang Group for the services provided under the Project Services Framework Agreement shall be in line with the prices offered by Xuyang Group in its bids, and the Group will compare such bids with those submitted by other independent third parties.

As the procurement of the Project Services is conducted by way of public tender in accordance with the relevant laws and regulations, the Company considers that such mechanism and procedures can ensure that the Project Services are entered into on normal commercial terms and do not prejudice the interests of the Company and its shareholders as a whole.

Term

The Project Services Framework Agreement is effective from February 22, 2019 to December 31, 2021.

Historical amounts

The actual fees for the Project Services charged by Xuyang Group to the Company for the two years ended December 31, 2018 and 2019 and the three-month period ended March 31, 2020 were RMB113.9 million, RMB200.1 million and RMB43.5 million, respectively. As at the date of this announcement, the actual fee charged by Xuyang Group to the Company has not exceeded the original annual cap for the year ending December 31, 2019 under the Original Project Services Framework Agreement.

Annual caps and revision

Pursuant to the Original Project Services Framework Agreement, the maximum aggregate annual fees to be charged by Xuyang Group for each of the two years ending December 31, 2020 and 2021 shall not exceed RMB217.57 million. The Company expects that the total transaction amount of the Project Services for the two years ending December 31, 2020 and 2021 will exceed the original annual caps. As such, the Company decided to revise the annual caps of the aggregate fees to be charged by Xuyang Group for the two years ending December 31, 2020 and 2021 to RMB400 million.

The revised annual caps were determined based on the progress of the projects of existing production lines such as some upgrades to our environmental protection facilities so as to decrease the emission of pollutants as well as the development of projects of new production lines in both existing production bases in Hebei Tangshan and Cangzhou and new production bases in Inner Mongolia Hohhot and Liaoning Chaoyang, in relation to which two new joint ventures were established.

III. CHEMICALS PROCUREMENT FRAMEWORK AGREEMENT AND CHEMICALS PROCUREMENT

Date of the Supplemental Chemicals Procurement Framework Agreement

April 29, 2020

Parties

- (i) the Company; and
- (ii) Xuyang Holding.

Scope of products to be procured

Pursuant to the Original Chemicals Procurement Framework Agreement, Xuyang Group shall provide the Group with certain water purification chemicals for sewage treatment in accordance with the principles set out therein. In view of the operational requirements and development strategies of the Group as well as the market conditions, the Group

will also procure thermal coal from Xuyang Group for power and heat generation in the course of its daily production and operation on top of the water purification chemicals under the Original Chemicals Procurement Framework Agreement.

Pricing policies

The prices of the water purification chemicals for sewage treatment and thermal coal for power and heat generation to be provided by Xuyang Group shall be determined by agreement between the parties with reference to market unit prices determined by third-party industry consultants from time to time, and shall not be less favorable than those offered by independent third-party suppliers under comparable conditions.

To determine the prices of the Chemicals Procurement, the industry consultant engaged by the Company provide it with information about the market prices of the relevant products from time to time so as to stay abreast of market prices and determine whether the prices offered by Xuyang Group are fair and reasonable. Before placing order with Xuyang Group, the Group will also obtain quotations from independent third-party suppliers and submit the quotations as well as those offered by Xuyang Group to the procurement department of the Group for review and the company secretary of the Company for final approval. As the procurement procedure makes reference to the latest market prices, the Company considers that such mechanism and procedures can ensure that the Chemicals Procurement are entered into on normal commercial terms and do not prejudice the interests of the Company and its shareholders as a whole.

Term

The Chemicals Procurement Framework Agreement is effective from February 22, 2019 to December 31, 2021.

Historical amounts

The actual sums charged by Xuyang Group for the water purification chemicals procured by the Company for the two years ended December 31, 2018 and 2019 and the three-month period ended March 31, 2020 were RMB4.5 million, RMB4.6 million and RMB3.2 million, respectively. As at the date of this announcement, the actual sum charged by Xuyang Group to the Company has not exceeded the original annual cap for the year ending December 31, 2020 under the Original Chemicals Procurement Framework Agreement.

Annual caps and revision

Pursuant to the Original Chemicals Procurement Framework Agreement, the maximum aggregate annual sums to be charged by Xuyang Group for each of the two years ending December 31, 2020 and 2021 shall not exceed RMB6 million. The Company expects that the total procurement amount under the Chemicals Procurement for the two years ending December 31, 2020 and 2021 will exceed the original annual caps. As such, the Company decided to revise the annual caps of the aggregate sums to be charged by Xuyang Group for the two years ending December 31, 2020 and 2021 to RMB198 million.

The revised annual caps were determined based on the prevailing market conditions and took into consideration that one of our development strategies is expanding our production capacity, therefore the demand for electricity and thermal coal is expected to increase due to the expanding production capacity in Hebei Cangzhou. Moreover, the production base in Hebei Cangzhou does not have facilities to utilize the heat from the red-hot coke generated from the processing process to generate electricity, and thus would have to rely on alternative electricity source.

IV. SALES FRAMEWORK AGREEMENT AND SUPPLY OF REFINED CHEMICALS

Date

April 29, 2020

Parties

- (i) the Company; and
- (ii) Xuyang Holding.

Scope of products to be supplied

The Group will supply Xuyang Group with refined chemicals, including 2-Amino-2-Methyl-1-Propanol (AMP), acetone oxime, 2-methyl-succinic acid and O-Phthalimide etc.

Pricing policies

The prices of refined chemicals to be sold by the Company to Xuyang Group shall be determined by agreement between the parties with reference to market unit prices determined by third-party industry consultants from time to time, and shall not be less favorable than those offered by independent third-party customers under comparable conditions.

To determine the prices of the refined chemicals, the industry consultant engaged by the Company provide it with information about the market prices of the relevant products from time to time so as to stay abreast of market prices and adjust the selling prices of the Group's products in a timely manner. The prices to be charged by the Company for the products delivered to Xuyang Group will be comparable to those available to other independent third-party customers. The supply of such products shall be reported to the sales department of the Group for review and submitted to the company secretary of the Company for final approval. As the prices of the products to be supplied will be determined with reference to latest market prices as well as prices offered by the Company to independent third-party customers, the Company considers that such mechanism and procedures can ensure that the Supply of Refined Chemicals is entered into on normal commercial terms and will not prejudice the interests of the Company and its shareholders as a whole.

Term

Effective from the date of execution by both parties (i.e. April 29, 2020) to December 31, 2021.

Historical amounts

No refined chemicals were supplied by the Company to Xuyang Group during the two years ended December 31, 2018 and 2019 and the three-month period ended March 31, 2020.

Annual caps

The Company expects that the aggregate annual amounts of fees to be charged by the Group to Xuyang Group for the Supply of Refined Chemicals for each of the two years ending December 31, 2020 and 2021 will not exceed RMB32 million. The annual caps were determined based on the following factors: the prevailing market conditions, the capacity of the production bases of the Group and Xuyang Group's demand for refined chemicals.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Project Services

While the Group could procure independent third parties to provide such services, the Group considers that the Project Services are beneficial to the Group as: (i) the project design and construction management of various chemical production facilities requires certain technical expertise and experience in the design and construction management of coal, coking and refined chemicals systems and facilities which Xuyang Group can provide; (ii) Xuyang Group has extensive knowledge of our existing production facilities and technical and operational requirements, thereby allowing greater efficiency in implementing the projects; and (iii) the terms and prices offered by Xuyang Group may be more favorable than what we may obtain from independent third parties.

Chemicals Procurement

While the Group could procure independent third parties to provide such products, the Group considers that the Chemicals Procurement is beneficial to the Group as: (i) Xuyang Group can provide stable supply of water purification chemicals and thermal coal; (ii) based on the past transactions, Xuyang Group has extensive knowledge of the Group's requirements for water purification chemicals and thermal coal, and is capable of providing products that meet the Group's operational and quality requirements; and (iii) the terms and prices offered by Xuyang Group may be more favorable than what the Group may obtain from independent third parties.

Supply of Refined Chemicals

Xuyang Group has stable and predictable demand for refined chemicals during its ordinary course of business. The Supply of Refined Chemicals will allow the Group to expand and strengthen its customer base and marketing network, increase the Company's profitability and enhance the Group's brand advantages.

LISTING RULES IMPLICATIONS

As Xuyang Holding is a company wholly-owned by Mr. Yang Xuegang, who is the controlling shareholder, executive Director, chief executive officer and chairman of the Board of the Company, and his spouse, Xuyang Holding is an associate of Mr. Yang Xuegang and is thus a connected person of the Company. Therefore, each of the Project Services, the Chemicals Procurement and the Supply of Refined Chemicals will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios in respect of each of the Project Services, the Chemicals Procurement and the Supply of Refined Chemicals exceed 0.1% but are less than 5%, each of these transactions is subject to the reporting, announcement and annual review requirements but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the Project Services Framework Agreement, the Chemicals Procurement Framework Agreement and the Sales Framework Agreement as well as the continuing connected transactions contemplated thereunder are entered into on normal commercial terms in the Company's ordinary and usual course of business, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the annual caps of each of the Project Services, the Chemicals Procurement and the Supply of Refined Chemicals are fair and reasonable.

Pursuant to the requirements under the articles of association of the Company, Mr. Yang Xuegang, being the shareholder of Xuyang Holding, has abstained from voting on the Board resolution to approve the Project Services, the Chemicals Procurement and the Supply of Refined Chemicals.

GENERAL INFORMATION

The Group

The Company is a leading integrated coke, coking chemical and refined chemical producer and supplier in the PRC, with customers located both in the PRC and abroad. The Group currently operates eight production bases in the PRC.

Xuyang Holding

Xuyang Holding is principally engaged in real estate development and other investments in the PRC, and its subsidiaries are principally engaged in real estate development, sale and investment, investment holding, provision of project design, construction management and general contracting services, and research, development and manufacturing of water purification chemicals for sewage treatment in the PRC. It is wholly-owned by Mr. Yang Xuegang and his spouse.

DEFINITIONS

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

“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)
“connected person(s)”	as defined in the Listing Rules
“controlling shareholder(s)”	as defined in the Listing Rules
“Board”	the board of the Directors of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Original Project Services Framework Agreement”	the Project Services Framework Agreement dated February 22, 2019 entered into by the Company and Xuyang Holding
“Original Chemicals Procurement Framework Agreement”	the Water Purification Chemicals Procurement Framework Agreement dated February 22, 2019 entered into by the Company and Xuyang Holding
“Project Services”	the transaction involving the procurement of project services by the Company from Xuyang Group pursuant to the Project Services Framework Agreement

“Project Services Framework Agreement”	the Original Project Services Framework Agreement as amended by the Supplemental Project Services Framework Agreement
“Chemicals Procurement”	the transaction involving the procurement of water purification chemicals for sewage treatment and thermal coal for power and heat generation by the Company from Xuyang Group pursuant to the Chemicals Procurement Framework Agreement
“Chemicals Procurement Framework Agreement”	the Original Chemicals Procurement Framework Agreement as amended by the Supplemental Chemicals Procurement Framework Agreement
“Supplemental Project Services Framework Agreement”	the Supplemental Agreement to the Project Services Framework Agreement dated April 29, 2020 entered into by the Company and Xuyang Holding
“Supplemental Chemicals Procurement Framework Agreement”	the Supplemental Agreement to the Water Purification Chemicals Procurement Framework Agreement dated April 29, 2020 entered into by the Company and Xuyang Holding
“Sales Framework Agreement”	the Sales Framework Agreement dated April 29, 2020 entered into by the Company and Xuyang Holding
“Supply of Refined Chemicals”	the transaction involving the supply of refined chemicals by the Company to Xuyang Group pursuant to the Sales Framework Agreement
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, the Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan region
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Prospectus”	the prospectus of the Company dated February 28, 2019 in relation to the initial public offering and listing of the Company’s shares on the Stock Exchange

“Xuyang Holding” Xuyang Holding Limited (旭陽控股有限公司) (formerly known as Xuyang Coking Holding Limited (旭陽焦化控股有限公司) and Tianlu Industrial Holding Limited (天鷲實業控股有限公司)), a company established in the PRC on August 4, 2004 with limited liability wholly-owned by Mr. Yang Xuegang and his spouse, and a connected person of the Company

“Xuyang Group” Xuyang Holding and its subsidiaries

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

Hong Kong, April 29, 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.