

*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)**

**CONNECTED TRANSACTION  
LEASE OF PROPERTY FROM RISUN RESEARCH**

The Board hereby announces that on January 22, 2021, Risun Marketing, a subsidiary of the Group, entered into the Lease Agreement with Risun Research, pursuant to which Risun Marketing shall lease the Leased Property located in Fengtai District, Beijing with a gross floor area of approximately 16,255 square meters from Risun Research as the new headquarters of the Group from February 1, 2021, with a term starting from February 1, 2021 and ending on January 31, 2026.

The Lease Agreement provides for a rent-free period for the first four months of the lease term, and the rent will be RMB7/day/square meter for the period from June 1, 2021 to January 31, 2024, and RMB7.35/day/square meter for the period from February 1, 2024 to January 31, 2026.

**IMPLICATIONS UNDER THE LISTING RULES**

As Risun Research is a company beneficially owned by Mr. Yang Xuegang, the chairman and chief executive officer of the Company, and his spouse as at the date of this announcement, Risun Research is an associate of Mr. Yang Xuegang and a connected person of the Company. Therefore, the Lease constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio(s) in respect of the Lease (as calculated based on the carrying value of the right-of-use asset of approximately RMB171.20 million to be recognized by the Company) exceed 0.1% but are all less than 5.0%, the Lease is subject to the announcement and annual reporting requirements but is exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board hereby announces that on January 22, 2021, Risun Marketing, a subsidiary of the Group, entered into the Lease Agreement with Risun Research, pursuant to which Risun Marketing shall lease the Leased Property located in Fengtai District, Beijing with a gross floor area of approximately 16,255 square meters from Risun Research as the new headquarters of the Group from February 1, 2021, with a term starting from February 1, 2021 and ending on January 31, 2026.

## **THE LEASE AGREEMENT**

The salient terms of the Lease Agreement are as follows:

Date:	January 22, 2021
Lessor:	Risun Research
Lessee:	Risun Marketing
Leased Property:	the office space located at 1 <sup>st</sup> to 10 <sup>th</sup> Floors, Building 1, Risun Plaza, Sihezhuang No.2 Road, Huaxiang Town, Fengtai District, Beijing, the PRC.
Gross Floor Area of the Leased Property:	approximately 16,255 square meters (inclusive of common areas such as plant rooms and lift lobbies, and subject to the actual area to be delivered).
Lease Term:	from February 1, 2021 to January 31, 2026 with a rent-free period of four months and rent payable from June 1, 2021.
	Upon the expiry of the Lease, Risun Marketing shall have the right-of-first-refusal to renew the Lease of the Leased Property on the same terms as those available in the market, provided that it informed Risun Research of the intention of renewal in writing six months prior to the expiry.
Purpose of the Lease:	The Leased Property shall only be used by the Group for office purpose.
Rent:	The unit rent from June 1, 2021 to January 31, 2024 shall be RMB7/day/square meter, representing an annual rent of approximately RMB41.53 million; and the unit rent from February 1, 2024 to January 31, 2026 shall be RMB7.35/day/square meter, representing an annual rent of approximately RMB43.61 million. Rent shall be payable every six months during the lease term, with the first payment to be made on or before April 1, 2021 and the subsequent payments to be made 10 days before the commencement of the first month of the next half-year rental period. The rent was calculated based on a rent increment of 5% every three years.

The above rent was determined with reference to the open-market rent level (ranging from RMB6/day/square meter to RMB7.5/day/square meter) of similar properties located in the area surrounding the Leased Property as determined by a property valuer, who is an independent third party, the age of the building, the amenities and services available, as well as the future rent increment trend as determined with reference to the possible growth in inflation and gross domestic product in China in the next five years.

Security deposit: Risun Marketing shall pay a security deposit equivalent to three months' rent in aggregate of approximately RMB10.38 million to Risun Research within 5 business days after signing the Lease Agreement.

## **IMPLICATIONS UNDER THE LISTING RULES**

As Risun Research is a company beneficially owned by Mr. Yang Xuegang, the chairman and chief executive officer of the Company, and his spouse as at the date of this announcement, Risun Research is an associate of Mr. Yang Xuegang and a connected person of the Company. Therefore, the Lease constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to IFRS 16 (Leases), the Group will recognize the Leased Property under the Lease Agreement as a right-of-use asset with a carrying value of approximately RMB171.20 million as at February 1, 2021. Pursuant to the Listing Rules, the Lease will be deemed as an acquisition of a right-of-use asset by the Group.

As the highest applicable percentage ratio(s) in respect of the Lease (as calculated based on the carrying value of the right-of-use asset of approximately RMB171.20 million to be recognized by the Company) exceed 0.1% but are all less than 5.0%, the Lease is subject to the announcement and annual reporting requirements but is exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Shareholders should note that the above figures are unaudited and subject to subsequent adjustment. Right-of-use assets represent the right to use relevant leased assets during the lease term, while lease liabilities represent the obligation to make lease payment (i.e. rent). The asset and liability arising from the lease will initially be measured at the present value and will be calculated by discounting the lease payment under the Lease Agreement by applying the incremental borrowing rate as the discount rate. Pursuant to IFRS 16 (Leases), the Group will recognize (i) depreciation charges during the term of the right-of-use asset; and (ii) interest expenses arising from the amortization of the lease liability during the lease term in its consolidated statement of comprehensive income.

## **REASONS FOR AND BENEFITS OF THE LEASE AGREEMENT**

The Board has noticed that the Group's corporate headquarters at ABP Area, Fengtai District, Beijing has been used for years and is insufficient to cope with the continuing staff expansion of the Group, and additional office space is needed. The new Leased Property can accommodate the majority of the employees in Beijing in the same building, thereby enhancing work efficiency. In addition, the new Leased Property is located near Fengtai Science Park Station of the Beijing Subway and is convenient to commute to and from. Furthermore, the Group has considerable demand for information technology in recent years and a need for an upgrade of the existing equipment in the corporate headquarters. As the aging infrastructures such as wires and optical fibers pose difficulties in the upgrade, it will be more effective for the Group to use the latest infrastructure in the new Leased Property for the information technology upgrade. The greater usable area per person at the Leased Property allows staffs to benefit from a better working environment and, hence, are in the long-term interests of the Group.

Risun Marketing will finance the rent and security deposit under the Lease Agreement with its internal resources.

The terms of the Lease Agreement were determined by the Group after arm's length negotiations with reference to the open-market rent listed in the appraisal report on the new Leased Property issued by a property valuer, who is an independent third party.

The Directors (including the independent non-executive Directors) are of the view that the Lease Agreement and the Lease are entered into on normal commercial terms or better and in the ordinary course of business of the Group, and the terms of the Lease Agreement are fair and reasonable and in the interests of the Company and the shareholders as a whole.

Pursuant to the requirements under the articles of association of the Company, Mr. Yang Xuegang, being the ultimate beneficial owner of Risun Research, has abstained from voting on the Board resolution to approve the terms of the Lease Agreement and the Lease.

## **GENERAL**

### **The Group**

The Company and its subsidiaries are leading integrated coke, coking chemical and refined chemical producers and suppliers in China with customers located in both China and overseas. The Group currently operates 8 production bases in China.

Risun Marketing is principally engaged in the trading of coke, coking chemicals and refined chemicals.

### **Risun Research**

Risun Research is principally engaged in engineering and technological research and trial development, technological promotion service, commercial premises leasing and property management. Risun Research is beneficially owned by Mr. Yang Xuegang and his wife.

## 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 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
“IFRS”	the International Financial Reporting Standards issued by the International Accounting Standards Board from time to time
“Lease”	the lease arrangement contemplated under the Lease Agreement
“Lease Agreement”	the lease agreement entered into between Risun Marketing and Risun Research on January 22, 2021 in respect of the Leased Property
“Leased Property”	the office space located at 1 <sup>st</sup> to 10 <sup>th</sup> Floors, Building 1, Risun Plaza, Sihezhuang No.2 Road, Huaxiang Town, Fengtai District, Beijing, the PRC
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this announcement only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and the Taiwan Region
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

- “Risun Marketing” Risun Marketing Limited (旭陽營銷有限公司) (formerly known as Beijing Risun Hongye Chemicals Company Limited (北京旭陽宏業化工有限公司)), a company established in the PRC with limited liability on February 2, 2008 and a subsidiary of the Company
- “Risun Research” Risun Chemicals Technology Research Co., Ltd. (旭陽化學技術研究院有限公司), a company established in the PRC with limited liability on May 31, 2010 and a connected person of the Company

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

Hong Kong, January 22, 2021

*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.*