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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent, Sole Global Coordinator and Joint Bookrunner



Placing Agents and Joint Bookrunners



The Board is pleased to announce that on May 26, 2021 (after trading hours), the Company and the Placing Agents entered into the Placing Agreement, pursuant to which each of the Placing Agents has severally (and not jointly nor on joint and several basis) agreed to act as the agents of the Company and to use their best efforts to procure the Placees to subscribe for a total of up to 350,000,000 new shares of the Company at the Placing Price per Placing Share upon the terms and subject to the conditions set out in the Placing Agreement.

The number of Placing Shares represents: (a) approximately 8.56% of the total existing issued Shares as at the date of this announcement; and (b) approximately 7.88% of the total issued Shares as enlarged by the issuance of the Placing Shares immediately after the Completion (assuming all the Placing Shares are subscribed for in full and there will be no change in the total number of Shares in issue from the date of this announcement to the Completion other than the issuance by the Company of the Placing Shares).

The Placing Shares are expected to be placed to no less than six independent Placees who shall be professional, institutional and other investors that are, together with their respective ultimate beneficial owners, third parties independent of, and not connected with, the Company and the connected persons of the Company.

The Placing Shares will be issued under the General Mandate. The Placing is not subject to any further approval of the Shareholders.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Placing Shares.

As the Completion is subject to the satisfaction of the Condition and the Placing Agents' termination rights, the Placing may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

THE PLACING

The board (the “**Board**”) of directors (the “**Directors**”) of China Risun Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that on May 26, 2021 (after trading hours), the Company entered into a placing agreement (the “**Placing Agreement**”) with Guotai Junan Securities (Hong Kong) Limited, Credit Agricole Corporate and Investment Bank, Essence International Securities (Hong Kong) Limited, Haitong International Securities Company Limited and China Tonghai Securities Limited (together, the “**Placing Agents**”), pursuant to which, each of the Placing Agents has severally (and not jointly nor on joint and several basis) agreed to act as the agents of the Company and to use its best efforts to procure certain placees (the “**Placees**”) to subscribe for a total of up to 350,000,000 new shares of the Company (the “**Placing Shares**”) at HK\$5.90 (the “**Placing Price**”) per Placing Share to be issued by the Company under the General Mandate (as defined below) upon the terms and subject to the conditions set out in the Placing Agreement (the “**Placing**”).

THE PLACING AGREEMENT

The principal terms of the Placing Agreement are set out below.

(a) Date

May 26, 2021 (after trading hours)

(b) Parties

- (1) The Company; and
- (2) The Placing Agents.

(c) The Placing Agents

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Placing Agents and their respective ultimate beneficial owner(s) are third parties independent of, and not connected with, the Company and the connected persons (as defined under the Listing Rules) of the Company.

(d) Number of the Placing Shares

Each of the Placing Agents has severally (and not jointly nor on joint and several basis) agreed to act as agents of the Company to use their best efforts to procure the Placees to subscribe for a total of up to 350,000,000 Placing Shares at the Placing Price (together with such brokerage, SFC transaction levy and the trading fee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) to the extent payable by the Placees), upon the terms and subject to the conditions set out in the Placing Agreement.

The number of Placing Shares represents: (a) approximately 8.56% of the total existing issued shares of the Company (the “**Shares**”) as at the date of this announcement; and (b) approximately 7.88% of the total issued Shares as enlarged by the issuance of the Placing Shares immediately after the completion of the Placing pursuant to the Placing Agreement (the “**Completion**”) (assuming all the Placing Shares are subscribed for in full and there will be no change in the total number of Shares in issue from the date of this announcement to the Completion other than the issuance by the Company of the Placing Shares).

Based on the nominal value of HK\$0.10 per Placing Share, the aggregate nominal value of the 350,000,000 Placing Shares will be HK\$35,000,000.

(e) Rights of the Placing Shares

The Placing Shares shall be allotted and issued by the Company under the General Mandate and, when allotted and issued by the Company, shall rank *pari passu* in all respects with other Shares then in issue and be free and clear from all encumbrances and with all rights attaching thereto as at date of issue of the Placing Shares, including the right to receive all dividends and other distributions which may be declared, made or paid in respect of the Placing Shares, the record date for which shall fall on or after the date of issue of the Placing Shares.

(f) Placees

The Placing Shares are expected to be placed to no less than six independent Placees who shall be professional, institutional and other investors that are, together with their respective ultimate beneficial owners, third parties independent of, and not connected with, the Company and the connected persons of the Company.

Immediately after the Completion, it is expected that none of the Placees will become a substantial shareholder (as defined under the Listing Rules) of the Company.

(g) Placing Price

The Placing Price is HK\$5.90 per Placing Share and represents:

- (i) a discount of approximately 1.99% to the closing price of HK\$6.02 per Share as quoted on the Stock Exchange on May 26, 2021, being the last trading day of the Shares immediately prior to the date of the Placing Agreement;
- (ii) a premium of approximately 4.65% to the average closing price of HK\$5.638 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Placing Agreement (including May 26, 2021); and
- (iii) a premium of approximately 3.22% to the average closing price of HK\$5.716 per Share as quoted on the Stock Exchange for the ten consecutive trading days of the Shares immediately prior to the date of the Placing Agreement (including May 26, 2021).

The Placing Price was determined through order and book building process by the Placing Agents and arm's length negotiations between the Company and the Placing Agents with reference to the prevailing market price of the Shares, the interests of the existing shareholders of the Company (the "**Shareholders**"), investors' capabilities and the potential issuance risks, as well as the market practice and applicable regulatory requirements, and with reference to the capital market conditions and the valuations of comparable companies at the time when the Company issues the Placing Shares.

The Directors consider that the Placing Price and the terms and conditions of the Placing Agreement are fair and reasonable and that the Placing is in the interests of the Company and the Shareholders as a whole.

(h) Conditions of the Placing

Completion of the Placing is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing Shares (and such listing and permission not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Placing Shares) (the "**Condition**").

The Company will make application to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Placing Shares as soon as practicable.

(i) Completion of the Placing

Completion of the Placing shall take place on any day falling within three business day, being any day (excluding a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks are generally open for business and the Stock Exchange is generally open for trading of securities in Hong Kong, after the date on which the Condition is fulfilled, or such other date as the Company and the Placing Agent may agree in writing (the "**Completion Date**").

(j) Termination

The Placing Agents may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, which may be given at any time prior to 8:00 a.m. (Hong Kong time) on the Completion Date in accordance with the terms thereof, on the grounds of, including but not limited to, breach of any of the representations, warranties and undertakings by the Company as set out in the Placing Agreement and the occurrence of certain force majeure events.

(k) Lock-up Undertaking

The Company has undertaken to each of the Placing Agents that it will not allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or

any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares during the period commencing on the date of the Placing Agreement and expiring on the Completion Date, unless the prior written consent of the Placing Agents having been obtained, except for the Placing and other exceptions as stipulated under the Placing Agreement, and the Company will not agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect.

GENERAL MANDATE TO ISSUE THE PLACING SHARES

As disclosed in the circular of the Company dated April 21, 2021 and the poll results announcement dated May 24, 2021, the grant of the general mandate (the “**General Mandate**”) was approved by the Shareholders at the annual general meeting of the Company held on May 24, 2021.

As at the date of this announcement, the number of new Shares that can be issued by the Company under the General Mandate is 818,000,000 Shares. Up to the date of this announcement, no Shares have been issued by the Company under the General Mandate. The Placing Shares will be issued pursuant to the General Mandate. The issuance of the Placing Shares will utilize approximately 42.79% of the General Mandate. As such, the Placing is not subject to any further approval of the Shareholders.

REASONS FOR THE PLACING

The Company believes that as China aims to hit peak emissions of carbon dioxide and for carbon neutrality, the coking coal industry in China will continue with its supply-side reform and speed up its industry consolidation as well as structural improvement and reform. As a result, the demand-supply tension of coke will continue and, in turn, support the growth of the coke manufacturing business. In addition, the refined chemicals manufacturing business will strengthen its competitiveness by means of product line extension and technological research, development and innovation while the operation management business grows steadily. All of these developments will bring new opportunities for the Group’s business growth. The Company will continue to seize the market opportunity to achieve a constant and stable improvement in the Group’s results through development in multi-mode growth, multi-industry development, and multi-region layout. The Placing will enable the Company to obtain further equity funding for upgrading the Group’s existing coke and coking chemicals and refined chemicals manufacturing equipment and environmental protection facilities as well as potential mergers and acquisitions, which will be beneficial for the Group’s future expansion and development.

In addition, the Placing will further enlarge the Company’s shareholders’ equity base, optimize the capital structure of the Company, strengthen the financial position and liquidity of the Group and provide support and flexibility for the development of the Group.

The Placing and the Subscription are being undertaken to further enlarge the Company's shareholders' equity base, optimize the capital structure of the Company and support a healthy and sustainable development of the Company.

USE OF PROCEEDS

Assuming that all Placing Shares are subscribed for in full, the aggregate gross proceeds from the Placing are expected to be approximately HK\$2,065 million.

The net proceeds from the Placing, after deducting relevant costs and expenses, commission, incentive payment based on the Company's discretion and levies, are expected to be approximately HK\$2,062.10 million (on this basis the net price per Placing Share will be approximately HK\$5.892), and will be utilized in the following manner:

- (a) approximately 80% of the net proceeds will be used to upgrade the existing coke and coking chemicals and refined chemicals manufacturing equipment and environmental protection facilities, including but not limited to the further expansion of capacity of caprolactam, as well as to fund potential mergers and acquisitions of local and overseas coke enterprises. As at the date of this announcement, the Company intends to invest in merger and acquisition projects relating to the coke manufacturing of the Group, but has not identified any specific target for such acquisitions, and allocation of such net proceeds among local and overseas mergers and acquisitions in future are deployed by the reasonable estimation of the Company. The Company will closely monitor the market opportunities for any such acquisitions and will make announcement(s) in respect of any such merger(s) or acquisition(s) in compliance with the requirements of the Listing Rules where appropriate; and
- (b) approximately 20% of the net proceeds will be used to replenish the working capital of the Group.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming that all Placing Shares are subscribed for in full, and there is no other change in the share capital of the Company immediately prior to the Completion, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the Completion are set out as follows:

	As at the date of this announcement		Immediately after the Completion	
	Number of Shares	Approximate percentage of issued share capital of the Company ⁽¹⁾	Number of Shares	Approximate percentage of issued share capital of the Company ⁽¹⁾
Texson Limited ⁽²⁾	3,116,074,928	76.19%	3,116,074,928	70.18%
Places	–	–	350,000,000	7.88%
Other public Shareholders	<u>973,925,072</u>	<u>23.81%</u>	<u>973,925,072</u>	<u>21.94%</u>
Total	<u>4,090,000,000</u>	<u>100.00%</u>	<u>4,440,000,000</u>	<u>100.00%</u>

Notes:

- (1) Certain amounts and percentage figures in the table above have been rounded to the nearest whole figures. The discrepancies between the total amounts and the amounts shown in the table are due to rounding.
- (2) Mr. Yang Xuegang, the chairman of the Board and an executive Director, holds the Shares through Texson Limited, a company 100% owned by Mr. Yang Xuegang. Accordingly, Mr. Yang Xuegang is deemed to be interested in the Shares held by Texson Limited.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company did not conduct any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

As the Completion is subject to the satisfaction of the Condition and the Placing Agents' termination rights, the Placing may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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

Hong Kong, May 26, 2021

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.