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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)

DISCLOSEABLE TRANSACTION

**JOINT INVESTMENT IN AND
ESTABLISHMENT OF RISUN WEI SHAN**

The Board is pleased to announce that on July 15, 2021 (after trading hours), Risun Global Investments and Risun Global (wholly-owned subsidiaries of the Company) entered into the Joint Venture Agreement with Zoomwe Hong Kong and Dawn International. Pursuant to the Joint Venture Agreement, the parties have agreed to jointly establish, by way of capital injection, Risun Wei Shan for the investment in the construction of the Coking Project (with an annual production capacity of 4.8 million tonnes) in Morowali Industrial Park in Sulawesi, Indonesia. Risun Global Investments and Risun Global will subscribe for US\$115.92 million and US\$12.60 million, respectively, representing 46% and 5%, respectively, of the registered capital of the Joint Venture. In addition, Risun Global Investments and Risun Global may also provide shareholder loans in an amount of up to approximately US\$538 million to Risun Wei Shan if Risun Wei Shan is not able to obtain external project financing. Upon its establishment, Risun Wei Shan will be a subsidiary of the Group.

As one or more applicable percentage ratio(s) exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

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SALIENT TERMS OF THE JOINT VENTURE AGREEMENT

Date July 15, 2021 (after trading hours)

Parties (i) Risun Global Investments;
(ii) Zoomwe Hong Kong;
(iii) Dawn International; and
(iv) Risun Global.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Zoomwe Hong Kong and Dawn International and their respective ultimate beneficial owner(s) are independent third parties of the Company and its connected persons (as defined in the Listing Rules).

Capital injection

Within 15 business days following the opening of the bank account of the Joint Venture, the parties shall inject capital totaling US\$3.7 million to the Joint Venture in proportion to their respective shareholding percentages according to the Joint Venture Agreement. The parties shall make additional contribution to the authorized capital in proportion to their respective shareholding percentages up to such amount not exceeding 30% of the total investment (i.e. US\$252 million) of the project, subject to the passing of a resolution by a general meeting. The additional authorized capital shall be paid by the parties to the Joint Venture Agreement according to the capital requirement of the project and at such amounts and on such terms as stipulated in the payment notice issued by the board of directors of the Joint Venture. Each party will subscribe for and make contribution to the Joint Venture as follows:

Investing parties	Subscribed contribution <i>(US\$ million)</i>	Shareholding percentage <i>(%)</i>	Method of contribution
Risun Global Investments	115.92	46%	Cash contribution
Dawn International	75.60	30%	Cash contribution
Zoomwe Hong Kong	47.88	19%	Cash contribution
Risun Global	12.60	5%	Cash contribution
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Total	252.00	100%	

Business scope of the Joint Venture

The Joint Venture will be engaged in the following:

- (i) the industrial production and sale of coke products;
- (ii) the sale of by-products of its production process; and
- (iii) trading.

The detailed business scope shall be subject to registration with the relevant companies registry in Indonesia.

Investment in the
Coking Project

The project will have a total investment of approximately US\$840 million. The exact total investment amount shall be subject to the amount stated in the feasibility report unanimously confirmed by the parties. In particular:

- (1) 30% of the total investment (i.e. US\$252 million) shall be funded by the shareholders by way of capital injection in proportion to their respective shareholding percentages in the Joint Venture with their own funds;
- (2) 70% of the total investment (i.e. US\$588 million) shall be funded by project financings from financial institutions. As Risun Wei Shan will be a subsidiary of the Group, 8.5% of the fund (approximately US\$50 million) will be paid as project quality deposit after the inspection and acceptance of the project by the Joint Venture, instead of being borne by the Group.

The parties to the Joint Venture shall provide guarantee in proportion to their respective shareholding percentages according to the requirements of any project finances. If the Joint Venture is not able to obtain funding through project financings from financial institutions, the shortfall will be financed by shareholder loans from Risun Global Investments and Risun Global, and the aggregate principal amount of the shareholder loans committed by Risun Global Investments and Risun Global shall be no more than US\$538 million. The annualized interest rates of the shareholder loans shall be limited to not exceeding 6% with a term of no less than 8 years, and there will be no repayment of principal in the first 2 years. If the project financings from financial institutions are obtained during the term of the shareholder loans, the shareholder loans of the same amount shall be replaced and repaid to Risun Global Investments and Risun Global upon receipt of such financings.

General meeting

The general meeting comprising all shareholders of the Joint Venture shall be the highest authority of the Joint Venture. General meetings shall only be convened in the presence of shareholders representing in aggregate over eighty-five percent of the voting rights or their proxies. If not enough shareholders are present to form a quorum, a second general meeting may be convened with a quorum of shareholders representing in aggregate over half of the voting rights or their proxies. Pursuant to the Joint Venture Agreement, certain reserved matters, including but not limited to any investments, financings, borrowings, disposals and acquisitions and connected transactions reaching a threshold amount, shall be subject to approval of shareholders representing over eighty-five percent of all voting rights. Except for the reserved matters, other resolutions shall be subject to the approval of shareholders representing over fifty percent of the voting rights or their proxies.

Board of directors

The board of directors of the Joint Venture shall comprise 5 directors, of whom 3 shall be nominated by Risun Global Investments and 1 shall be nominated by each of Dawn International and Zoomwe Hong Kong. The chairman shall be one of the directors nominated by Risun Global Investments. Except for the reserved matters, resolutions may also be passed by over half of the directors present at a board meeting. Reserved matters, including but not limited to any investment reaching a threshold amount, any land acquisition and the engagement of the senior management of the Joint Venture, shall be subject to the unanimous approval of all directors.

Board of supervisors

The board of supervisors of the Joint Venture shall comprise 3 supervisors, and Risun Global Investments, Dawn International and Zoomwe Hong Kong shall each appoint 1 supervisor. The chairman of the board of supervisors shall be the supervisor nominated by Dawn International.

Management

The senior management, including 1 general manager, 5 vice general managers, 1 chief financial officer, 1 financial manager and 1 financial officer, of the Joint Venture shall be appointed or dismissed with reference to the recommendations of the parties to the Joint Venture as follows:

- (1) 1 general manager to be nominated by Risun Global Investments and to be appointed and dismissed upon the approval of the board of directors.
- (2) 5 vice general managers, of which 3 shall be nominated by Risun Global Investments, 1 shall be nominated by Zoomwe Hong Kong and 1 shall be nominated by Dawn International, and all 5 shall be appointed and dismissed upon the approval of the board of directors.
- (3) 1 chief financial officer to be nominated by Risun Global Investments and to be appointed and dismissed upon the approval of the board of directors.
- (4) 1 financial manager to be nominated by Dawn International and to be appointed and dismissed upon the approval of the board of directors.
- (5) 1 financial officer to be nominated by Zoomwe Hong Kong and to be appointed and dismissed upon the approval of the board of directors.

Sale of products

Coke oven gas produced by the Joint Venture shall be sold to IMIP and/or other enterprises in IMIP at a price to be calculated in accordance with the formula approved by all parties. The Joint Venture shall be responsible for the external sale of its products at the market price. In particular, the shareholders shall have the right of first refusal to buy such products in proportion to their respective shareholding percentages in the Joint Venture at the aforementioned market price, provided that the same price is offered by others.

Profit distribution

The Joint Venture shall firstly repay principals and interest under relevant bank financing agreements according to the agreed repayment arrangements, and then repay principals and interest due under the shareholder loan agreements according to the agreed repayment arrangements. Subsequently, and if there is distributable net profit for the year after remedy of losses and appropriations for surplus reserve, other reserves, corporate development fund and staff reward and welfare fund, such net profit for the year shall be distributed in proportion to the paid-in capital contributions. The profit distribution ratio shall be 50% of the distributable profits for the year.

Effectiveness of the Joint
Venture Agreement

The Joint Venture Agreement shall be effective upon signing by the legal representative/director or authorized representative of each party and affixing their respective corporate seals onto it and shall be implemented upon obtaining all approvals from the governments of the PRC and Indonesia as well as internal approvals of the parties for the Joint Venture Agreement.

Any party(ies) in breach of any obligation stipulated thereunder shall be liable to indemnify the Joint Venture and the abiding party(ies) from and against any loss incurred due to its breach.

REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JOINT VENTURE

1. Globalization Strategy Adopted by the Group for its Business

In view of the current domestic and overseas economic conditions, the Group aims at expanding the production scale of the existing coke product portfolio and conducting the research and development of new refined chemical products in 2021. This project will be the first overseas coking project in which the Group has a controlling interest. Being the controlling shareholder, the Group can capitalize on its advantage as a leading independent coke producer and supplier in the world to speed up the implementation of its strategy for globalization of business.

2. Overseas Sales Market

The coke products under this project will be sold not only in the PRC, but also to IMIP and/or other enterprises in IMIP. With a geographically closer market, the sales can be made more directly and speedier, and the capital recovery in relation to the production, sale and supply of products will accelerate, which will increase the Group's investment returns.

Based on the above reasons, the Board is of the view that the terms of the Joint Venture Agreement and the Transaction are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the shareholders as a whole.

INFORMATION ON THE GROUP

Risun Global Investments and Risun Global are indirect wholly-owned subsidiaries of the Company. The Group 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 initially operated four production bases in Hebei Province, the PRC and has since then extended its business to other provinces of the PRC, such as Inner Mongolia Autonomous Region and Shandong Province, as well as Sulawesi Province, Indonesia.

INFORMATION ON DAWN INTERNATIONAL

Dawn International, a company incorporated in Singapore with limited liability, is principally engaged in the management of investment projects. To the best of the knowledge of the Directors having made all reasonable enquiries, Dawn International and its ultimate beneficial owner(s) are independent third parties of the Company.

INFORMATION ON ZOOMWE HONG KONG

Zoomwe Hong Kong, a company incorporated in Hong Kong with limited liability, is an indirect subsidiary of Hunan Zoomwe Group Co., Ltd.* (湖南中偉控股集團有限公司) (“CNGR”) and is ultimately controlled by Mr. Deng Weiming (鄧偉明). CNGR strives to become a prestigious and sustainable hi-tech group of companies. After over 20 years of development, it has established a business structure that focuses on the synergies between, among other things, the new energy industry chain and smart manufacturing. CNGR aims at gradually realizing its globalization strategy through an offshore business platform, namely Zoomwe Hong Kong, as its ultimate investors. To the best of the knowledge of the Directors having made all reasonable enquiries, Zoomwe Hong Kong and its ultimate beneficial owner(s) are independent third parties of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratio(s) exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders’ approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Coking Project”	the coking project with an annual production capacity of 4.8 million tonnes proposed to be funded and constructed by the Joint Venture in IMIP
“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)
“Dawn International”	Dawn International Capital Pte. Ltd., a company established in Singapore with limited liability on March 9, 2021
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Indonesia”	the Republic of Indonesia
“Joint Venture” or “Risun Wei Shan”	旭陽偉山新能源 (印尼) 有限公司 (temporary name, subject to official name upon corporate registration), a company proposed to be jointly invested in and established by Risun Global Investments, Risun Global, Zoomwe Hong Kong and Dawn International in Indonesia
“Joint Venture Agreement”	the joint venture agreement entered into by Risun Global Investments and Risun Global with Zoomwe Hong Kong and Dawn International on July 15, 2021 in relation to the Coking Project with an annual production capacity of 4.8 million tonnes in Indonesia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and otherwise modified from time to time
“Morowali Industrial Park” or “IMIP”	Indonesia Morowali Industrial Park in Central Sulawesi Province, Indonesia

“PRC”	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
“Risun Global Investments”	Risun Global Investments (Hainan) Co., Ltd.* (旭陽國際投資(海南)有限公司), a company established in the PRC with limited liability on June 11, 2021 and an indirect wholly-owned subsidiary of the Company
“Risun Global”	Risun Global Limited, a company established in Hong Kong with limited liability on July 19, 2013 and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the joint investment in and establishment of Risun Wei Shan under the Joint Venture Agreement
“Zoomwe Hong Kong”	Zoomwe Hong Kong Energy Trading Co., Limited, a company established in Hong Kong with limited liability on March 26, 2021 and ultimately controlled by 湖南中偉控股集團有限公司

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

Hong Kong, July 15, 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.

* *For identification purpose only*