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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)**

**CONNECTED TRANSACTION  
ACQUISITION OF TANGSHAN RISUN PETROLEUM**

**ACQUISITION**

The Board is pleased to announce that on August 8, 2021, Tangshan Risun Chemicals (a wholly-owned subsidiary of the Company, as the purchaser) and Xuyang Holding (as the vendor) entered into the Equity Transfer Agreement, pursuant to which Xuyang Holding has agreed to transfer 100% equity interest in Tangshan Risun Petroleum to Tangshan Risun Chemicals for a consideration of RMB570 million. Upon completion of the Acquisition, Tangshan Risun Petroleum will become an indirect wholly-owned subsidiary of the Company.

**IMPLICATIONS UNDER THE LISTING RULES**

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

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but is less than 5.0%, the Acquisition is subject to the announcement and annual reporting requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board is pleased to announce that on August 8, 2021, Tangshan Risun Chemicals (a wholly-owned subsidiary of the Company, as the purchaser) and Xuyang Holding (as the vendor) entered into the Equity Transfer Agreement, pursuant to which Xuyang Holding has agreed to transfer 100% equity interest in Tangshan Risun Petroleum to Tangshan Risun Chemicals for a consideration of RMB570 million. Upon completion of the Acquisition, Tangshan Risun Petroleum will become an indirect wholly-owned subsidiary of the Company.

## **I. THE EQUITY TRANSFER AGREEMENT**

Major terms of the Equity Transfer Agreement are set out below:

### **Date**

August 8, 2021

### **Parties**

- (i) Xuyang Holding (as the vendor)
- (ii) Tangshan Risun Chemicals (as the purchaser)

### **Target Equity Interest**

As agreed in the Equity Transfer Agreement, Xuyang Holding has agreed to transfer 100% equity interest in Tangshan Risun Petroleum to Tangshan Risun Chemicals. Upon completion of the Acquisition, Tangshan Risun Petroleum will become an indirect wholly-owned subsidiary of the Company.

### **Conditions Precedent for the Closing**

The closing of the Acquisition shall be subject to the satisfaction of the following conditions precedent:

- (1) the Equity Transfer Agreement having become effective upon signing by the respective legal or authorized representatives and affixing of the company seal of both parties;
- (2) the Acquisition having been validly considered and approved by the parties following their internal decision-making procedures in accordance with the Company Law of the PRC and other relevant laws and regulations, as well as the articles of association of the parties;
- (3) the vendor having made a true, accurate and complete disclosure of all the information on the Target Company to the purchaser, and the purchaser having completed the legal and financial due diligence on the Target Company as it deems necessary and been satisfied with the results thereof;
- (4) each of the representations and warranties made by the vendor and the Target Company in the Equity Transfer Agreement being true, accurate, complete and not misleading, and the Target Company and the purchaser being in compliance with the Equity Transfer Agreement prior to the date of closing with no occurrence of any violations; and

- (5) no occurrence of any event or circumstance which has had or may have a material adverse effect on the equity transfer or the legal existence, production and management, business operation, financial position, business reputation or other material aspects of the Target Company.

Such conditions precedent shall not be waived if they are the conditions compulsorily required under domestic and overseas laws and regulations or by regulatory authorities in connection with the Acquisition.

### **Consideration**

The consideration for the Acquisition is RMB570 million, which was determined between the parties after arm's length negotiations with reference to the value of all the shareholders' equity of Tangshan Risun Petroleum as at March 31, 2021 of RMB571 million, as stated in the valuation report prepared by the independent valuer engaged by Tangshan Risun Chemicals using an asset-based approach. The difference between the net asset value and the fair value of Tangshan Risun Petroleum as at March 31, 2021 is mainly due to (1) the market value of a target capacity of 1.6 million tonnes per year of coke and chemical products amounting to approximately RMB352 million; (2) the appraisal of land use rights amounting to approximately RMB16 million and (3) recognition of deferred income to equity amounting to approximately RMB85 million.

Tangshan Risun Chemicals shall pay the consideration for the Acquisition to Xuyang Holding in full within 3 months after the satisfaction of the conditions precedent for the Acquisition.

The Group will pay for the consideration for the Acquisition with its internal resources.

### **Closing**

Within 30 working days after the date of satisfaction of the conditions precedent for closing and the payment of the transfer price, Xuyang Holding shall transfer the Target Equity Interest to Tangshan Risun Chemicals, complete the corresponding procedures for the change of industrial and commercial registration and amend the register of members of Tangshan Risun Petroleum, and a capital contribution certificate will be issued to Tangshan Risun Chemicals.

## II. INFORMATION ON TANGSHAN RISUN PETROLEUM

Tangshan Risun Petroleum, a company incorporated in the PRC with limited liability on October 17, 2008, is established and beneficially owned by Mr. Yang Xuegang and his spouse. Tangshan Risun Petroleum is engaged in the preparation for the construction of an oil-refining and chemical project with a target capacity of 1.6 million tonnes of coke and chemical products per year in Caofeidian District, Tangshan City, the PRC.

As at the date of this announcement, the project prepared for construction is an “oil-refining and chemical integration project with a capacity of 15 million tonnes per year”. This is a reserve project in the oil-refining and chemical industry of the PRC and the government approval procedures for energy conservation review, environmental assessment, reclamation and other works have been completed.

In addition, Tangshan Risun Petroleum has a target capacity of 1.6 million tonnes of coke and chemical products per year. Therefore, it can supply hydrogen to oil-refining and chemical projects by way of coking within the target coal consumption of the oil-refining and chemical project instead of hydrogen from coal gasification.

Key items in the audited financial information on Tangshan Risun Petroleum for the three months ended March 31, 2021 and for the two years ended December 31, 2020 and 2019, as prepared under the PRC generally accepted accounting principles, are extracted below:

	<b>Three months ended March 31, 2021 RMB'000</b>	<b>Years ended December 31, 2020 2019 RMB'000</b>	
Net (loss) before taxation	(4,459)	(33,973)	(23,518)
Net (loss) after taxation	(4,459)	(33,973)	(23,518)
Total assets	258,300	259,489	252,899
Net asset value	<u>115,000</u>	<u>119,459</u>	<u>153,432</u>

### **III. REASONS FOR AND BENEFITS OF THE ACQUISITION**

#### **1. Opportunities for Future Business Growth**

Due to the PRC Government's pledges to achieve carbon neutrality by 2060 and realize carbon emission peak by 2030, the Company anticipates that the PRC Government will implement more stringent regulatory requirements for environmental protection in China. As such, the Group is actively exploring opportunities for future business growth.

The oil-refining and chemical project of Tangshan Risun Petroleum is on reserve status and subject to the approval by the National Development and Reform Commission of the PRC for its change from a "reserve" project to a "planned" project. It is one of the key development projects under the "Three-year Action Plan (2020–2022) of Oil-refining and Chemical Integration and Clustering Development of New Materials Industry Chains of Hebei Province". The project, if eventually approved, will adopt a low-carbon technology for production.

Furthermore, it is in line with the long-term interests of the Company and its shareholders as a whole as the Group can supply hydrogen and develop new refined chemical products within the target coal consumption of the oil-refining and chemical project by using the existing target coking capacity and land resources of Tangshan Risun Petroleum.

#### **2. Complementary Roles of Petrochemical and Coal Chemical Operations**

Being the world's largest independent coke producer and supplier, the Group has 26 years of business development experience in the coke industry. The Group's business model is based on a vertically integrated production chain, which allows the Group to expand into the downstream market of refined chemical products. The Group believes that such a business model is highly beneficial to the petrochemical industry, and that petroleum and coal, which are two essential elements of the energy sector, will play complementary roles in the Group's pursuit of becoming a world-leading energy and chemical company and steer a course into the future with innovative ideas. Furthermore, the Company has a management team comprising Directors and senior management who have extensive experience in the petrochemical and coal chemical industries, and has also been striving to recruit talents with different backgrounds. Such efforts will allow the development of both segments into the drivers of the Group's future growth.

### **3. Advantages of Geographical Location and Economic Development**

Tangshan City, Hebei Province is situated in the Bohai Rim region in the northeastern part of the PRC and is in the center of the northeastern Asian economic zone. Caofeidian is one of the seven major petrochemical bases under the national planning of the PRC, and the construction of petrochemical projects is in line with such national planning of the petrochemical industry in the PRC. While the petrochemical industry in the Bohai Rim region is undergoing transformation and upgrade, the one in Hebei Province lacks a diversified industrial structure and focuses on oil-refining with a total capacity of approximately 37.5 million tonnes per year. There is no large integrated oil-refining and chemical enterprise and no aromatics and ethylene producer. The level of oil-refining and chemical integration is relatively low.

Moreover, Hebei Province is right in the center of the Bohai Rim economic zone with a large population and a vast stretches of land. Demand for chemical products among high-end manufacturing industries and ordinary people are huge, thereby creating ample rooms for the development of the high-end petrochemical industry.

### **4. Advantages of Port and Land Resources**

Caofeidian District, Tangshan City is a coastal economic development zone created by Hebei Province with dedicated efforts. With a natural deep water harbor, a waterway that can accommodate vessels of 400,000 tonnes, abundant land resources and deep and wide safe water frontage, it is very suitable for the development of large coastal petrochemical projects.

Based on the above reasons, the Directors (including all independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the transaction contemplated thereunder are on normal commercial terms or better, and are fair and reasonable and in the interests of the Company and the shareholders as a whole. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, except for Mr. Yang Xuegang, no Board members have any material interest in the Acquisition. Mr. Yang Xuegang has abstained from voting on any relevant Board resolution of the Company approving the Acquisition.

#### **IV. IMPLICATIONS UNDER THE LISTING RULES**

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

As the highest applicable percentage ratio in respect of the Acquisition exceeds 0.1% but is less than 5.0%, the Acquisition is subject to the announcement and annual reporting requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### **V. GENERAL INFORMATION**

##### **The Company and Tangshan Risun Chemicals**

The Company is a leading integrated coke, coking chemical and refined chemical producer and supplier in the PRC with customers located in both the PRC and abroad. The Group initially operated four production bases in Hebei Province, the PRC and has since then expanded its operations to other provinces of the PRC, such as Inner Mongolia Autonomous Region and Shandong Province. It intends to gradually extend its overseas presence to Sulawesi Province, the Republic of Indonesia. Tangshan Risun Chemicals, an indirect wholly-owned subsidiary of the Company, is engaged in the production and sale of refined chemicals products such as styrene in Tangshan, the PRC.

##### **Xuyang Holding**

Xuyang Holding is a company incorporated in the PRC with limited liability and beneficially owned by Mr. Yang Xuegang, the chairman and chief executive officer of the Company, and his spouse. It is principally engaged in the development and sale of and investment in real estate, investment holding, provision of project design, construction management and general contracting services, research and development and manufacturing of water purification chemicals for sewage treatment and information technology, etc.

## DEFINITIONS

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

“Acquisition”	the transaction involving the purchase of the Target Equity Interest from Xuyang Holding by Tangshan Risun Chemicals pursuant to the Equity Transfer Agreement
“Board”	the board of Directors of the Company
“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)
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the Equity Transfer Agreement entered into between Tangshan Risun Chemicals and Xuyang Holding on August 8, 2021
“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
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tangshan Risun Chemicals”	Tangshan Risun Chemicals Limited* (唐山旭陽化工有限公司), a company incorporated in the PRC with limited liability on October 17, 2008 and a wholly-owned subsidiary of the Company



“Tangshan Risun Petroleum” or “Target Company”	Tangshan Risun Petroleum & Chemicals Co., Ltd.* (唐山旭陽石油化工有限公司), a company incorporated in the PRC with limited liability on January 9, 2017
“Target Equity Interest”	100% equity interest in Tangshan Risun Petroleum
“Xuyang Holding”	Xuyang Holding Limited* (旭陽控股有限公司), a company established in the PRC with limited liability on August 4, 2004

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

Hong Kong, August 8, 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*