

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**

References are made to the section headed “Connected Transactions” in the Prospectus and the announcement of the Company dated April 29, 2020 in relation to the revised annual caps for, among other things, the provision of Project Services to the Group by Xuyang Holding Group under the Original Project Services Framework Agreement and the procurement of chemicals from Xuyang Holding Group by the Group under the Original Chemicals Procurement Framework Agreement. The Company expects the transaction amounts of the continuing connected transactions in respect of the Project Services and Chemicals Procurement under the original framework agreements for the year ending December 31, 2021 to exceed the revised annual caps. In addition, the scope of product procurement under the Chemicals Procurement Framework Agreement will be expanded. As such, the Company and Xuyang Holding entered into the Supplemental Project Services Framework Agreement II and the Supplemental Chemicals Procurement Framework Agreement II on September 15, 2021 to reflect the aforesaid changes in each of the Project Services and Chemicals Procurement for the year ending 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 and Chemicals Procurement will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the respective highest applicable percentage ratio in respect of each of the Project Services and Chemicals Procurement exceeds 0.1% but are less than 5%, each of the Project Services and the Chemicals Procurement 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

References are made to the section headed "Connected Transactions" in the Prospectus and the announcement of the Company dated April 29, 2020 in relation to the revised annual caps for, among other things, the provision of Project Services to the Group by Xuyang Holding under the Original Project Services Framework Agreement and the Chemicals Procurement from Xuyang Holding by the Group under the Original Chemicals Procurement Framework Agreement. The Company expects the transaction amounts of the continuing connected transaction in respect of the Project Services and Chemicals Procurement under the original framework agreements for the year ending December 31, 2021 to exceed the revised annual caps. In addition, the scope of product procurement under the Chemicals Procurement Framework Agreement will be expanded. As such, the Company and Xuyang Holding entered into the Supplemental Project Services Framework Agreement II and the Supplemental Chemicals Procurement Framework Agreement II on September 15, 2021 to reflect the aforesaid changes in each of the Project Services and Chemicals Procurement for the year ending December 31, 2021.

II. PROJECT SERVICES FRAMEWORK AGREEMENT AND PROJECT SERVICES

Date of the Supplemental Project Services Framework Agreement II

September 15, 2021

Parties

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

Scope of services

Pursuant to the Original Project Services Framework Agreement, Xuyang Holding 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, the estimated delivery dates and the best overall terms offered by the bidders for the awarded project. As such, the fees to be charged by Xuyang Holding Group for the services provided under the Project Services Framework Agreement shall be in line with the prices offered by Xuyang Holding Group in its bids, and the Group will compare such bids with those submitted by other independent third parties.

As the provision 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 Original Project Services Framework Agreement shall be valid from February 22, 2019 to December 31, 2021. A new three-years continuing connected transaction agreement for the three years ending December 31, 2022, 2023 and 2024 will be negotiated and entered into by the end of December 2021.

Historical amounts

The actual fees (tax-exclusive) for the Project Services charged by Xuyang Holding Group to the Company for the three years ended December 31, 2018, 2019 and 2020 and the six-month period ended June 30, 2021 were RMB113.9 million, RMB200.1 million, RMB317.3 million and RMB117.3 million, respectively. As at the date of this announcement, the actual fee charged by Xuyang Holding Group to the Company has not exceeded the original annual cap for the year ending December 31, 2021 under the Original Project Services Framework Agreement.

Annual cap and revision

Pursuant to the Original Project Services Framework Agreement, the maximum aggregate annual fees to be charged by Xuyang Holding Group for the year ending December 31, 2021 shall not exceed RMB400 million (tax-exclusive). The Company expects that the total transaction amount of the Project Services for the year ending December 31, 2021 will exceed the revised annual cap. As such, the Company decided to revise the annual cap of the aggregate fees to be charged by Xuyang Holding Group for the year ending December 31, 2021 to RMB600 million (tax-exclusive).

The revised annual cap was 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 Tangshan and Cangzhou in Hebei Province and new production bases in Inner Mongolia Hohhot in relation to which new joint venture were established. Also, upon the completion of acquisition of 100% equity interest in Wuhu Shunri Xinze Equity Investment Partnership (LP) (“**Shunri Xinze**”) in January 2021, new projects to upgrade the production lines are underway in Dongming and Yuncheng in Shandong Province.

III. CHEMICALS PROCUREMENT FRAMEWORK AGREEMENT AND CHEMICALS PROCUREMENT

Date of the Supplemental Chemicals Procurement Framework Agreement II

September 15, 2021

Parties

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

Scope of products

Pursuant to the Original Chemicals Procurement Framework Agreement, Xuyang Holding Group shall provide the Group with certain water purification chemicals for sewage treatment and thermal coal for power and heat generation in the course of its daily production and operation 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 steel products, building materials and catalyst from Xuyang Holding Group in addition to water purification chemicals and thermal coal under the Original and Supplemental Chemicals Procurement Framework Agreement.

Pricing policies

The prices of the water purification chemicals for sewage treatment, thermal coal for power and heat generation, steel products, building materials and catalyst to be provided by Xuyang Holding Group shall be determined by agreement between the parties with reference to market prices obtained from the open market and/or 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 Company will engage an independent third-party industry consultant to 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 Holding Group are fair and reasonable. Before placing order with Xuyang Holding Group, the Group will also obtain quotations from independent third-party suppliers and submit the quotations as well as those offered by Xuyang Holding 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 Original Chemicals Procurement Framework Agreement shall be valid from February 22, 2019 to December 31, 2021. A new three-years continuing connected transaction agreement for the three years ending December 31, 2022, 2023 and 2024 will be negotiated and entered into by the end of December 2021.

Historical amounts

The actual fees (tax-exclusive) charged by Xuyang Holding Group for the water purification chemicals and thermal coal procured by the Company for the three years ended December 31, 2018, 2019 and 2020 and the six-month period ended June 30, 2021 were RMB4.5 million, RMB4.6 million, RMB89.2 million and RMB193.2 million, respectively. As at the date of this announcement, the actual sum charged by Xuyang Holding Group to the Company has not exceeded the original annual cap for the year ending December 31, 2021 under the Original Chemicals Procurement Framework Agreement.

Annual cap and revision

Pursuant to the Original Chemicals Procurement Framework Agreement, the maximum aggregate annual sums to be charged by Xuyang Holding Group for the year ending December 31, 2021 shall not exceed RMB198 million (tax-exclusive). The Company expects that the total procurement amount under the Chemicals Procurement for the year ending December 31, 2021 will exceed the revised annual cap. As such, the Company decided to revise the annual cap of the aggregate sums to be charged by Xuyang Holding Group for the year ending December 31, 2021 to RMB900 million (tax-exclusive).

The revised annual cap was determined based on the prevailing market conditions and took into consideration that one of our development strategies is expanding our production capacity and therefore, the demand for electricity and thermal coal is expected to increase due to the expanding production capacity in Cangzhou in Hebei Province. Moreover, the production base in Cangzhou in Hebei Province 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. The Company also considered to revise the annual cap due to the development of projects of new production lines in both existing production bases in Tangshan and Cangzhou in Hebei Province and new production bases in Inner Mongolia Hohhot in relation to which new joint venture were established. Also, upon the completion of acquisition of 100% equity interest in Shunri Xinze in January 2021, there are new projects to upgrade the production lines in Dongming and Yuncheng in Shandong Province.

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 provision of 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 Holding Group can provide; (ii) Xuyang Holding 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 Holding 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 Holding Group can provide stable supply of water purification chemicals, thermal coal, steel products, building materials and catalyst; (ii) based on the past transactions, Xuyang Holding Group has extensive knowledge of the Group's requirements for water purification chemicals, thermal coal, steel products, building materials and catalyst is capable of providing products and services that meet the Group's operational and quality requirements; and (iii) the terms and prices offered by Xuyang Holding Group may be more favorable than what the Group may obtain from independent third parties.

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 and Chemicals Procurement will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the respective highest applicable percentage ratio in respect of each of the Project Services and Chemicals Procurement exceeds 0.1% but are less than 5%, each of the Project Services and procurement of chemicals 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, Chemicals Procurement Framework Agreement and 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 respective revised annual caps of the Project Services and Chemicals Procurement 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 and Chemicals Procurement.

GENERAL INFORMATION

The Group

The Company is 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.

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:

“Board”	the board of the Directors of the Company
“Chemicals Procurement”	the transaction involving the procurement of water purification chemicals for sewage treatment thermal coal for power and heat generation, steel products, building materials and catalyst by the Company from Xuyang Holding 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 II
“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
“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 Chemicals Procurement Framework Agreement”	the Water Purification Chemicals Procurement Framework Agreement dated February 22, 2019 entered into by the Company and Xuyang Holding, as amended by the Supplemental Chemicals Procurement Framework Agreement dated April 29, 2020
“Original Project Services Framework Agreement”	the Project Services Framework Agreement dated February 22, 2019 entered into by the Company and Xuyang Holding, as amended by the Supplemental Project Services Framework Agreement dated April 29, 2020

“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
“Project Services”	the transaction involving the provision of project services to the Company by Xuyang Holding 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 II
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Chemicals Procurement Framework Agreement II”	the Supplemental Agreement II to the Water Purification Chemicals Procurement Framework Agreement dated September 15, 2021 entered into by the Company and Xuyang Holding
“Supplemental Project Services Framework Agreement II”	the Supplemental Agreement II to the Project Services Framework Agreement dated September 15, 2021 entered into by the Company and Xuyang Holding
“Xuyang Holding Group”	Xuyang Holding and its subsidiaries
“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 (天鷺實業控股有限公司)), 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

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

Hong Kong, September 15, 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 Jinping.