

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)

**MAJOR TRANSACTION –
ESTABLISHMENT OF KINXIANG NEW ENERGY IN INDONESIA
AND
FURTHER INFORMATION ON THE JOINT VENTURES
IN RELATION TO THE ESTABLISHMENT OF
DE TIAN COKING AND RISUN WEI SHAN**

THE TRANSACTION

On July 16, 2021, Risun Investments (a wholly-owned subsidiary of the Company), Hainan Jinmancheng, NEW ERA, Hainan Dongxin and Shagang Coking entered into the Joint Venture Agreement, pursuant to which the parties shall jointly establish, by way of capital injection, KinXiang New Energy, which will invest in the construction of a coking project (with an annual production volume of 3.9 million tonnes) in Morowali Industrial Park in Central Sulawesi, Indonesia. Risun Investments will subscribe for US\$200,000 of the authorized capital of the Joint Venture, representing 20% of the shareholding interest therein. In addition, Risun Investments may also provide shareholder's loan in an amount of up to approximately US\$84 million to KinXiang New Energy if KinXiang New Energy is not able to obtain external financing for the project. Upon its establishment, KinXiang New Energy will be a joint venture of the Group.

Although one or more percentage ratio(s) of the Transaction alone was less than 5% and would not have required disclosure under Chapter 14 of the Listing Rules, the Transaction will only constitute a major transaction of the Company when aggregated with the establishment of De Tian Coking and Risun Wei Shan and be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiries, none of the shareholders of the Company or any of their respective associates has any material interests in the Three Joint Ventures. As such, no Shareholder of the Company is required to abstain from voting on the resolutions approving the Three Joint Ventures if the Company were to convene a general meeting for the approval thereof. As at the date of this announcement, Texson Limited directly holds 70.32% of the total issued share capital of the Company. The Company will obtain the written shareholders' approval from Texson Limited in lieu of holding a general meeting for the shareholders' approval of the Transaction pursuant to Rule 14.44 of the Listing Rules.

In accordance with Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further information about the Three Joint Venture shall be despatched to the shareholders of the Company within 15 business days after the publication of this announcement (i.e. on or before December 3, 2021).

FURTHER INFORMATION ON THE JOINT VENTURES IN RELATION TO THE ESTABLISHMENT OF DE TIAN COKING AND RISUN WEI SHAN

References are made to the announcements of the Company dated June 30, 2021 and July 15, 2021, respectively, in relation to the transactions entered into by the Group to establish De Tian Coking and Risun Wei Shan.

The Company hereby provides further information that based on all reasonable enquiries made by the Directors, Stephanie Development Pte. Ltd., which is one of the joint venture partners of De Tian Coking, and Dawn International Capital Pte. Ltd., which is one of the joint venture partners of Risun Wei Shan, are both ultimately and beneficially owned by Xiang Yangyang (項陽陽), who is a business-woman and is engaged in project development and investment in Indonesia (including IMIP) and other countries.

On July 16, 2021, Risun Investments, Hainan Jinmancheng, Hainan Dongxin, NEW ERA and Shagang Coking entered into the Joint Venture Agreement, pursuant to which the parties shall jointly establish, by way of capital injection, KinXiang New Energy, which will invest in the construction of a coking project (with an annual production volume of 3.9 million tonnes) in Morowali Industrial Park in Central Sulawesi, Indonesia. Risun Investments will subscribe for US\$200,000 of the authorized capital of the Joint Venture, representing 20% of the shareholding interest therein. In addition, Risun Investments may also provide shareholder's loan in an amount of up to approximately US\$84 million to KinXiang New Energy if KinXiang New Energy is not able to obtain external financing for the project. Upon its establishment, KinXiang New Energy will be a joint venture of the Group.

I. THE TRANSACTION

Salient Details of the Joint Venture Agreement

Parties	(i) Hainan Jinmancheng;
	(ii) NEW ERA;
	(iii) Hainan Dongxin;
	(iv) Risun Investments; and
	(v) Shagang Coking.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, Hainan Jinmancheng, NEW ERA, Hainan Dongxin and Shagang Coking and their respective ultimate beneficial owner(s) are independent third parties of the Company and its connected persons (as defined in the Listing Rules).

Description of the Investment project	The Joint Venture will invest in and develop a coking project in Morowali Industrial Park, Indonesia, with an annual production volume of 3.9 million tonnes. The proposed business activities of the Joint Venture will principally include the production, sale and trading of coke (including semi coke) products and their by-products.
---------------------------------------	---

The Joint Venture will use the roads, terminals and other infrastructure in, and purchase land for the project from, Morowali Industrial Park at the same time. If the Joint Venture fails to enter into any agreement with Morowali Industrial Park for the purchase of land, the parties shall be entitled to terminate the Joint Venture Agreement without any liability.

Project finance

The proposed investment project will have a total investment of approximately US\$545 million, including the construction costs, interest incurred during the construction and the required working capital of the project. The exact total investment amount shall be subject to the amount stated in the feasibility report unanimously confirmed by the parties. In particular:

(1) 40% of the total investment (i.e. approximately US\$218 million) shall be funded by the shareholders by means of capital injection in proportion to their respective shareholding percentages in the Joint Venture with their own funds, including:

- US\$1 million to be paid and injected by the parties to the Joint Venture in cash in United States dollars as the authorized capital of the Joint Venture according to the payment notices to be issued by the board of directors of the Joint Venture and the law of Indonesia upon the establishment of the Joint Venture. In particular:

Investing parties	Subscribed contribution (US\$ thousand)	Shareholding percentage (%)	Method of contribution
Hainan Jinmancheng	510	51%	Monetary contribution
NEW ERA	200	20%	Monetary contribution
Hainan Dongxin	20	2%	Monetary contribution
Risun Investments	200	20%	Monetary contribution
Shagang Coking	70	7%	Monetary contribution
Total	<u>1,000</u>	<u>100%</u>	

- Afterwards, the parties shall increase the authorized capital to no more than 40% of the total investment of the proposed investment project in proportion to their respective shareholding percentages as resolved by voting by the general meeting of the Joint Venture. The increased authorized capital shall be paid in accordance with the funding requirements and progress of the proposed investment project.
- (2) 60% of the total investment (i.e. approximately US\$327 million) shall be financed through project loans.
- The parties to the Joint Venture shall cooperate fully with and provide guarantee in their respective proportions in favor of any financiers of the project.
 - If 60% of the total investment of the project cannot be covered by project loans in full or at all, three shareholders, namely Hainan Jinmancheng, Risun Investments and Shagang Coking, shall provide such funds to the Joint Venture by means of shareholder's loans at a ratio of 51:20:7. The interest rates of the shareholder's loans shall be limited to below 1-year United States dollar LIBOR+400BP.

- The working capital of the proposed investment project during its operation shall be financed through bank loans to be borrowed by the Joint Venture under the lead of Hainan Jinmancheng. All parties to the agreement shall cooperate fully with Hainan Jinmancheng. If the working capital of the Joint Venture cannot be financed by bank loans in full or at all, four shareholders, namely Hainan Jinmancheng, NEW ERA, Risun Investments and Shagang Coking, shall provide such funds to the Joint Venture by means of shareholder's loans at a ratio of 51:20:20:7. The interest rates of the shareholder's loans shall be limited to below 1-year United States dollar LIBOR+400BP.

Pursuant to the aforementioned arrangement, it is expected that Risun Investments will inject approximately US\$43.6 million in aggregate and commit shareholder's loans of up to US\$84 million in aggregate to the Joint Venture. The Group intends to finance such payments by its internal resources, including the proceeds from the placing of shares by the Company under general mandate (for details, please refer to the announcements of the Company dated May 26 and June 3, 2021), and/or loan facilities.

Distributorship and sale of products

To secure the sale of the products of, and realize revenue for, the Joint Venture, the parties agreed that Shagang Coking or its related parties shall have the right of first refusal to purchase up to 1.5 million tonnes of coke every year at the then prevailing market prices and on the then prevailing conditions according to the actual annual production volume of the Joint Venture. Hainan Jinmancheng, NEW ERA, Risun Investments or their respective related parties shall then have the right of first refusal to purchase the remaining products at the then prevailing market prices and on the then prevailing conditions at a ratio of 51:20:20.

General meeting

The general meeting comprising all shareholders of the Joint Venture shall be the highest authority of the Joint Venture. In principle, general meetings shall only be convened in the presence of shareholders representing in aggregate over two-third of all voting rights or their proxies, provided that NEW ERA shall be present at the meeting. Pursuant to the Joint Venture Agreement, certain major matters, including but not limited to any guarantee, financing or investment proposal reaching a certain threshold amount, as well as any distribution of profit in an amount of less than 50% of the accumulated distributable profits for the year, shall be subject to approval of the shareholders representing two-third of all voting rights and NEW ERA being present at the meeting.

Board of directors

The board of directors of the Joint Venture shall comprise 5 directors, of whom 3 shall be nominated by Hainan Jinmancheng and 1 shall be nominated by each of NEW ERA and Risun Investments. The chairman shall be one of the directors nominated by Hainan Jinmancheng.

Except for the reserved matters stipulated in the Joint Venture Agreement, the resolutions of the board of directors can be passed by a simple majority of all directors. Reserved matters (including but not limited to disposal of assets and connected transactions reaching a certain threshold amount) shall be subject to the approval of the director nominated by NEW ERA in addition to the foregoing.

Board of supervisors

The board of supervisors of the Joint Venture shall comprise 5 supervisors, of whom 3 shall be nominated by Hainan Jinmanchen and 1 shall be nominated by each of NEW ERA and Shagang Coking. The chairman of the board of supervisors shall be one of the supervisors nominated by Hainan Jinmancheng.

Management	The Joint Venture shall have 1 general manager to be nominated by Hainan Jinmancheng; 1 vice general manager to be nominated by Risun Investments; 1 financial controller to be nominated by Hainan Jinmancheng; and 1 financial manager to be nominated by NEW ERA.
Profit distribution	The Joint Venture's annual net profits after payment of income tax shall be distributable upon appropriations for surplus reserve, corporate development fund, staff reward and welfare fund and necessary working capital of the Joint Venture, and remedy of losses of the previous accounting year. Such profits shall be distributed in proportion to the paid-in capital contributions. The profit payout ratio shall be no less than 50% of the accumulated distributable profits for the year.
Term of the Joint Venture	Unless otherwise extended or shortened pursuant to the Joint Venture Agreement, the term of the joint venture of KinXiang New Energy shall be 50 years after the date of its establishment.
Effectiveness of the Joint Venture Agreement	<p>The Joint Venture Agreement shall be effective upon signing by the legal representative or authorized representative of each party and affixing their respective corporate seals onto it.</p> <p>Any party in breach of any obligation stipulated under the Joint Venture Agreement shall be liable to indemnify the Joint Venture and the abiding party(ies) from and against any loss incurred due to its breach.</p>

Reasons for and Benefits of the Establishment of the Joint Venture

1. Strategic Necessity of the Project

Although the global demand for coke is high, the growth in the production volume of coke in the PRC has slowed down due to the elimination of outdated production capacity under the new environmental-friendly industry development, carbon peak and carbon neutrality policies of the PRC.

The Joint Venture plans to invest in and construct a coking project with an annual production capacity of 3.9 million tonnes in Morowali Industrial Park in Central Sulawesi, Indonesia, which is one of the exemplary cooperation projects under the Belt and Road Initiative. Hainan Jinmancheng and Shagang Coking, two of the joint venture partners of the Transaction, are the subsidiaries of Nanjing Iron and Steel and Jiangsu Shagang Group Co., Ltd. respectively.

The investment project is an essential part of the Group's global strategies and presence plans as it further strengthens the joint venture's globalization strategy, particularly its global raw material procurement plan.

Being the world's largest independent producer and supplier of coke, the Group constantly enlarges its production capacity through acquisitions and mergers as well as the provision of operation and management services. As most of the Group's production bases are located in the PRC, the Transaction will allow the Group to establish a new joint venture to carry out and operate coking projects in Morowali Industrial Park, Indonesia with renowned steel producers and achieve mutual benefits, thereby going overseas. More importantly, the Group can further reinforce its leadership position as an independent producer and supplier of coke through the Transaction.

2. *Geographical Advantage and Market Edge*

Indonesia is the largest country in Southeast Asia in terms of area, population and gross domestic product. The location of the Joint Venture, namely Bahodopi, Morowali Regency, Central Sulawesi, has expedient air, sea and land transportation routes for the supply of coal from Indonesia domestically or from abroad (such as from Australia through sea routes). Therefore, it enjoys an advantage in terms of the supply of coking materials and is suitable for the development of coking projects with its stable supply of coal and sales channel for coke.

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.

General Information

Information on the Group

Risun Investments is an indirect wholly-owned subsidiary of the Company. The Company 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 currently operates 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.

Information on Hainan Jinmancheng

Hainan Jinmancheng, a company incorporated in the PRC with limited liability, is wholly-owned by Nanjing Iron and Steel, which is a company listed on the Shanghai Stock Exchange. As a leading, high-efficiency and one-stop integrated iron and steel production enterprise with an annual production capacity of 10 million tonnes of crude steel that complies with the regulations imposed by the Ministry of Industry and Information Technology on the iron and steel industry, Nanjing Iron and Steel strives for industrial development and value-growth by fostering an industry chain and ecosystem that focuses on turning iron and steel into new materials and facilitates mutual empowerment and collective growth. It is effectively controlled by Guo Guangchang (郭廣昌), who holds as to 58.69% through Nanjing Nangang Iron & Steel United Co., Ltd.

Information on Hainan Dongxin

Hainan Dongxin is a limited partnership incorporated by Wang Xinhai (王鑫海), Gu Yechun (顧葉春) and Wu Weidong (吳衛東) (as limited partners) and Nanjing Jinyu Corporate Management Company Limited* (南京金鈺企業管理有限公司) (as a general partner ultimately and beneficially owned by Wang Xinhai, Gu Yechun and Wu Weidong) in the PRC. Its principal businesses include corporate management, project planning and public relation services, and information consultation services.

Information on NEW ERA

NEW ERA, a company incorporated in Singapore with limited liability, is principally engaged in various businesses, including the management of investment projects. It is ultimately and beneficially owned by Xiang Yangyang (項陽陽), who is a business-woman and is engaged in project development and investment in Indonesia (including IMIP) and other countries.

Information on Shagang Coking

Shagang Coking, a company incorporated in the PRC with limited liability, is wholly-owned by Jiangsu Shagang Group Co., Ltd., which is principally engaged in the smelting of ferrous metals as well as the production and sale of rolled, processed high-quality and special steel. It is effectively controlled by Shen Wenrong (沈文榮), who holds a 29.32% shareholding.

Implications Under the Listing Rules

Although one or more percentage ratio(s) of the Transaction alone was less than 25%, the Transaction will only constitute a major transaction of the Company when aggregated with the establishment and would not have required disclosure under Chapter 14 of the Listing Rules of De Tian Coking and Risun Wei Shan and be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiries, none of the shareholders of the Company or any of their respective associates has any material interests in the Three Joint Ventures. As such, no Shareholder of the Company is required to abstain from voting on the resolutions approving the Three Joint Ventures if the Company were to convene a general meeting for the approval thereof. As at the date of this announcement, Texson Limited directly holds 70.32% of the total issued share capital of the Company. The Company will obtain the written shareholders' approval from Texson Limited in lieu of holding a general meeting for the shareholders' approval of the Transaction pursuant to Rule 14.44 of the Listing Rules.

In accordance with Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further information about the Three Joint Venture shall be despatched to the shareholders of the Company within 15 business days after the publication of this announcement (i.e. on or before December 3, 2021).

II. FURTHER INFORMATION ON THE JOINT VENTURES IN RELATION TO THE ESTABLISHMENT OF DE TIAN COKING AND RISUN WEI SHAN

References are made to the announcements of the Company dated June 30, 2021 and July 15, 2021, respectively, in relation to the transactions entered into by the Group to establish De Tian Coking and Risun Wei Shan.

The Company hereby provides further information that based on all reasonable enquiries made by the Directors, Stephanie Development Pte. Ltd., which is one of the joint venture partners of De Tian Coking, and Dawn International Capital Pte. Ltd., which is one of the joint venture partners of Risun Wei Shan, are both ultimately and beneficially owned by Xiang Yangyang (項陽陽).

III. 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
“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)
“De Tian Coking”	PT. De Tian Coking Co., Ltd.* (德天焦化 (印尼) 股份公司) (temporary name, subject to official name upon corporate registration), a company proposed to be jointly invested in and established by Risun Investments, Tianjin Xintiangang Project Management Co., Ltd.* (天津市新天鋼項目管理有限公司) and Stephanie Development Pte. Ltd. in Indonesia pursuant to the Joint Venture Agreement on the 4.7 million Tonnes Coking Project in Indonesia* (《印尼470萬噸／年焦化項目合作投資協議》) dated June 30, 2021. For details, please refer to the announcement of the Company dated June 30, 2021
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries

“Hainan Dongxin”	Hainan Dongxin Corporate Management Partnership (Limited Partnership) * (海南東鑫企業管理合夥企業 (有限合夥)), a limited partnership established in the PRC on November 5, 2020
“Hainan Jinmancheng”	Hainan Jinmancheng Technology Investment Company Limited* (海南金滿成科技投資有限公司), a company established in the PRC with limited liability on November 5, 2020 and a wholly-owned subsidiary of Nanjing Iron and Steel
“Indonesia”	the Republic of Indonesia
“Joint Venture” or “KinXiang New Energy”	PT. KinXiang New Energy Technologies Indonesia (印尼金祥新能源科技有限責任公司), a company proposed to be jointly invested in and established by Hainan Jinmancheng, Hainan Dongxin, NEW ERA, Risun Investments and Shagang Coking in Indonesia
“Joint Venture Agreement”	the joint venture agreement proposed to be entered into by Hainan Jinmancheng, Hainan Dongxin, NEW ERA, Risun Investments and Shagang Coking in relation to the establishment of KinXiang New Energy
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Morowali Industrial Park” or “IMIP”	the Indonesia Morowali Industrial Park in Central Sulawesi, Indonesia
“Nanjing Iron and Steel”	Nanjing Iron and Steel Co., Ltd., a company limited by shares established in the PRC and the A shares of which are listed on the Shanghai Stock Exchange
“NEW ERA”	NEW ERA DEVELOPMENT PTE. LTD., a company incorporated in Singapore with limited liability on March 25, 2021

“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 Investments”	Risun Investments (Hainan) Co., Ltd. (旭陽投資（海南）有限公司), a company established in the PRC with limited liability on May 25, 2021 and an indirect wholly-owned subsidiary of the Company
“Risun Wei Shan”	Risun Wei Shan New Energy (Indonesia) Company Limited* (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 (Hainan) Co., Ltd.* (旭陽國際投資（海南）有限公司) (an indirect wholly-owned subsidiary of the Company), Risun Global Limited, Zoomwe Hong Kong Energy Trading Co., Limited and Dawn International Capital Pte. Ltd. in Indonesia pursuant to the Joint Venture Agreement on the Coking Project with an Annual Production Capacity of 4.8 million Tonnes in Indonesia* (《印尼年產480萬噸焦化項目之合資協議》) dated July 15, 2021. For details, please refer to the announcement of the Company dated July 15, 2021
“Shagang Coking”	Jiangsu Shagang Coking Investment Company Limited* (江蘇沙鋼煤焦投資有限公司), a company established in the PRC with limited liability on August 12, 2011 and a wholly-owned subsidiary of Jiangsu Shagang Group Co., Ltd.

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Three Joint Ventures”	the proposed establishment of De Tian Coking, Risun Wei Shan and KinXiang New Energy by the Group
“Transaction”	the joint establishment of KinXiang New Energy by way of capital injection

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

Beijing, the PRC, November 12, 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.

* *For identification purpose only*