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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
PROVISION OF BORROWINGS AND GUARANTEES
TO A JOINT VENTURE**

PROVISION OF BORROWINGS AND GUARANTEES

The Board hereby announces that, on November 17, 2021 (after trading hours), Risun Group and Hebei Risun Energy, wholly-owned subsidiaries of the Company, entered into a borrowing and guarantee (in relation to the Finance Lease) agreement with Risun China Gas, pursuant to which (among others) (1) Risun Group agreed to provide a short-term borrowing in the amount of RMB100 million to Risun China Gas (the Fourth Borrowing/Guarantee) and (2) Risun Group and Hebei Risun Energy shall guarantee the timely performance of the obligations of Risun China Gas (the Fifth Borrowing/Guarantee) pursuant to the Finance Lease Agreement and as agreed in the Guarantee Contract entered into between Risun China Gas and Zheyin Financial Leasing. The maximum principal amount of the loan under the Finance Lease is RMB100 million and the estimated maximum payment obligation assumed by the Group will not exceed RMB105.4 million. Taking the fourth short-term borrowing into account, the estimated maximum borrowing and guarantee obligation assumed by the Group will not exceed RMB205.4 million.

The purpose of the short-term borrowings and guarantees is to meet the funding requirement for investment and construction of Risun China Gas' new coking project of annual coke capacity of 3.6 million tons.

LISTING RULES IMPLICATIONS

Prior to the date of this announcement, Risun Group, a wholly-owned subsidiary of the Company, has provided short-term borrowings in the amounts of RMB200 million and RMB100 million (First and Second Borrowing/Guarantee) to Risun China Gas respectively on July 28 and September 13, 2021.

In addition, Risun Group provided a guarantee for the timely performance of the obligations of Risun China Gas (the Third Borrowing/Guarantee) pursuant to the Finance Lease Agreement and as per agreed in the Guarantee Contract entered into between Risun China Gas and Hua Xu Leasing. The maximum principal amount of the loan under the Finance Lease is RMB500 million, and the maximum payment obligation expected to be assumed by the Group amounts to RMB644.7 million. The purpose of the short-term borrowings and guarantees is to meet the funding requirement for investment and construction of Risun China Gas' new coking project of annual coke capacity of 3.6 million tons.

As the First to Third Borrowings/Guarantees at the time had not exceeded 5% of any of the applicable percentage ratios in respect of discloseable transactions under Chapter 14 of the Listing Rules, the reporting and announcement requirements under Chapter 14 of the Listing Rules were not met.

Subsequently, as the Fourth to Fifth Borrowings/Guarantees are for the investment and construction of the same new coking project of Risun China Gas, the First to Fifth Borrowings/Guarantees will be aggregated in accordance with Rule 14.22 of the Listing Rules. The Company expects that one or more of the applicable percentage ratios in respect of the maximum borrowing and guarantee obligations assumed will in aggregate exceed 5% but are all lower than 25%, therefore the provision of the aggregate Borrowings and Guarantees constitutes a discloseable transaction of the Company pursuant to the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

Risun China Gas is a joint venture of the Company and 55% of its equity interests are held by the Company. Pursuant to the articles of association of Risun China Gas, the Group is entitled to appoint two of its five directors, and unanimous approval from all shareholders is required for financial decisions on financing and dividend activities of Risun China Gas Energy. In this regard, Risun China Gas Energy is considered a joint venture of the Group. In order to satisfy the funding requirement of the investment in the new coking project of annual coke capacity of 3.6 million tons, Risun China Gas is granted facilities up to 100 million by Zheyin Financial Leasing. The Group has agreed to provide the Guarantee in relation to the timely performance of all obligations owed to the financing party, to enable Risun China Gas to acquire the facilities.

I & II Provision of Borrowings (First and Second Borrowing/Guarantee)

On July 28 and September 13, 2021, Risun Group, a wholly-owned subsidiary of the Company, provided short-term borrowings of RMB200 million and RMB100 million, respectively, to Risun China Gas. The principal terms under the Borrowing Agreement are summarized as follows:

Date of the Borrowing Agreement	:	July 28 and September 13, 2021
Parties to the Borrowing Agreement	:	(1) Risun China Gas (as a Borrower) (2) Risun Group (as a Lender)
Borrowings	:	The Lender provided short-term loans to the Borrower in the amounts of RMB200 million and RMB100 million, with interest accruing from the date of bank transfer at an annual rate of 13%. The loan period is one year.

III. Provision of Guarantees (Third Borrowing/Guarantee)

On September 27, 2021 (after trading hours), Risun Group, a wholly-owned subsidiary of the Company (as a Guarantor), entered into the Finance Lease Agreement with Risun China Gas and Hua Xu Leasing. The principal terms of the Guarantees under the Finance Lease Agreement are summarized as follows:

Date of the Finance Lease Agreement and the Guarantee Contract	:	September 27, 2021 (after trading hours)
Parties to the Guarantee Contract	:	(1) Risun China Gas (as a Lessee) (2) Risun Group (as a Guarantor) (3) Hua Xu Leasing (as a Lessor)

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, Hua Xu Leasing and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Finance Lease : The lessor will provide the Finance Lease of up to RMB500 million to Risun China Gas. The term of the Finance Lease is 60 months. The interest rate for the lease is fixed at 7.36% per annum and will not be adjusted throughout the term even if the Loan Prime rate (LPR) for a year, as issued by the National Interbank Funding Centre, is adjusted.

The Borrowings and the Guarantee are for the investment of Risun China Gas in the new coking project.

Guarantee : Risun Group, a wholly-owned subsidiary of the Company, will be irrevocably, jointly and severally liable under the Guarantee for the total liabilities under the Finance Lease Agreement as a lessee.

The Guarantee shall cover all rents, default fines, liquidated damages, various costs paid by the lessor to realize the Primary Creditor's Rights and the Guarantee Rights and all other payables by the lessee to the lessor under the main contract. In the event that there is a change in the agreed interest rate under the main contract, the Guarantee will also cover any resulting changes.

Taking into account the maximum principal amount and the interest, fees and costs payable under the Finance Lease Agreement, the Company expects that the payment obligation under such Guarantee will be up to RMB644.7 million.

Considerations

Upon the execution of the Finance Lease Agreement, the Group received a guarantee fee of RMB3.075 million from Risun China Gas, which was determined with reference to the calculated value of the Guarantee as recommended by an independent valuer.

IV. Provision of Borrowings (Fourth Borrowing/Guarantee)

On November 17, 2021 (after trading hours), Risun Group, a wholly-owned subsidiary of the Company, and Risun China Gas entered into the Borrowing Agreement. The principal terms under the Borrowing Agreement are summarized as follows:

- Date of the Borrowing Agreement : November 17, 2021 (after trading hours)
- Parties to the Borrowing Agreement : (1) Risun China Gas (as a Borrower)
(2) Risun Group (as a Lender)
- Borrowings : The Lender provided to the Borrower a short-term borrowing in the amount of RMB100 million, with interest accruing from the date of bank transfer at an annual rate of 13%. The loan period is one year.

V. Provision of Guarantees (Fifth Borrowing/Guarantee)

On November 17, 2021 (after trading hours), Risun Group and Hebei Risun Energy, a wholly-owned subsidiary of the Company (as guarantor), entered into the Finance Lease Agreement with Risun China Gas and Zheyin Financial Leasing. The principal terms of the Guarantees under the Finance Lease Agreement are summarized as follows:

- Date of the Finance Lease Agreement and the Guarantee Contract : November 17, 2021 (after trading hours)
- Parties to the Guarantee Contract : (1) Risun China Gas (as a lessee)
(2) Risun Group and Hebei Risun Energy (as a Guarantor)
(3) Zheyin Financial Leasing (as a lessor)

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Zheyin Financial Leasing and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Finance Lease : The lessor will provide the Finance Lease of up to RMB100 million in aggregate to Risun China Gas. The term of the Finance Lease is 18 months. The interest rate for the lease is fixed at 6.20%, representing the one-year Loan Prime Rate (LPR) of October, 2021 published by the National Interbank Funding Centre plus 235.00 base points.

The Borrowings and the Guarantees are for the investment of Risun China Gas in the new coking project.

Guarantee : Risun Group and Hebei Risun Energy, wholly-owned subsidiaries of the Company, will be irrevocably, jointly and severally liable under the Guarantee for all liabilities under the Finance Lease Agreement as a lessee.

The guarantee shall cover all rents, default fines, liquidated damages, various costs paid by the lessor to realize the Primary Creditor's Rights and the Guarantee Rights and all other payables by the lessee to the lessor under the main contract. In the event that there is a change in the agreed interest rate under the main contract, the Guarantee shall also cover any resulting changes.

Taking into account the maximum principal amount of the Finance Lease and the interest, fees and costs payable under the Finance Lease Agreement, the Company expects that the payment obligation under such guarantee will be up to RMB105.4 million.

Consideration

Upon signing the Finance Lease Agreement, the Group will charge Risun China Gas for a guarantee fee of RMB68,000, which is determined by reference to the calculated value of the Guarantee as advised by an independent valuer.

REASONS FOR AND BENEFITS OF PROVIDING THE BORROWINGS/ GUARANTEES

The provision of the Borrowings and Guarantees by the Company will facilitate Risun China Gas in obtaining sufficient facilities to satisfy the funding requirement for investment in its new coking project of annual coke capacity of 3.6 million tons. The Company expects that the new coking project will enable Risun China Gas to increase its coke production volume, which will generate considerable investment return to the Group in a long run.

The Directors consider that the terms of the Guarantee are entered into on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL INFORMATION

The Group and Risun Group

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 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. It is also planning to progressively expand its overseas businesses to Sulawesi Province, Republic of Indonesia. Risun Group (formerly known as Risun Chemicals) and Hebei Risun Energy (formerly known as Hebei Risun Coking) are indirect wholly-owned subsidiaries of the Company.

Risun China Gas

Risun China Gas owns coking and fine chemical facilities in the production base located at Qingshuihe county, Huhhot, Inner Mongolia Autonomous Region. It is a joint venture of the Company.

Hua Xu Leasing

Hua Xu Leasing is a company incorporated in the PRC with limited liability and is owned as to 97.94% by China National Chemical Engineering Group Corporation Ltd. and as to the remaining 2.06% by China National Chemical Engineering Hong Kong Limited. China National Chemical Engineering Group Corporation Ltd. is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. Hua Xu Leasing is principally engaged in financial leasing business, leasing business, purchase of leasing assets in connection with financial leasing and leasing business; processing and maintenance of the residual value of leasing properties; and consultation and guarantee of leasing transactions.

Zheyin Financial Leasing

Zheyin Financial Leasing, a company incorporated in China with limited liability, is a national non-bank financial institution approved and regulated by the China Banking and Insurance Regulatory Commission, and is a financial leasing company controlled by China Zheshang Bank (a national joint-stock commercial bank) (601916.SH, 2016.HK) and initially established in conjunction with Zhejiang Provincial Financial Holding Co. Ltd. and Zhoushan Marine Comprehensive Development and Investment Co., Ltd. With the goal of building a professional, distinctive and differentiated financial leasing company, Zheyin Financial Leasing actively embraces financial technology and continues to innovate financial services, and is committed to providing professional financial services to quality customers in the sectors of smart manufacturing, modern agriculture and animal husbandry, environmental protection and marine economy.

Listing Rules Implications

Prior to the date of this announcement, Risun Group, a wholly-owned subsidiary of the Company, has provided short-term borrowings in the amounts of RMB200 million and RMB100 million (First and Second Borrowing/Guarantee) to Risun China Gas respectively on July 28 and September 13, 2021.

In addition, Risun Group provided a guarantee for the timely performance of the obligations of Risun China Gas (the Third Borrowing/Guarantee) pursuant to the Finance Lease Agreement and as agreed in the Guarantee Contract entered into between Risun China Gas and Hua Xu Leasing. The maximum principal amount of the loan under the Finance Lease is RMB500 million, and the maximum payment obligation expected to be assumed by the Group amounts to RMB644.7 million. The purpose of the short-term borrowings and guarantees is to meet the funding requirement for investment and construction of Risun China Gas' new coking project of annual coke capacity of 3.6 million tons.

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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)
“Director(s)”	the directors of the Company
“Hebei Risun Energy”	Hebei Risun Energy Limited (formerly known as Hebei Risun Coking Limited), a company incorporated in the PRC on October 30, 2003 with limited liability, and an indirect wholly-owned subsidiary of the Company
“Hua Xu Leasing”	Hua Xu International Financial Leasing Co., Ltd. (華旭國際融資租賃有限公司), a company incorporated in the PRC on December 24, 2013 with limited liability, and an independent third party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and otherwise modified from time to time
“Loan Prime Rate of National Interbank Funding Center (LPR)”	Loan Prime Rate published by the National Interbank Funding Center
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan region
“Risun China Gas”	Hohhot Risun China Gas Energy Limited (呼和浩特旭陽中燃能源有限公司), a company incorporated in the PRC on June 15, 2018 with limited liability and a joint venture of the Company

“Risun Group”	Risun Group Limited (formerly known as Risun Chemicals Limited), a company incorporated in the PRC on January 8, 2010 with limited liability, and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zheyin Financial Leasing”	Zhejiang Zheyin Financial Leasing Co., Ltd. (浙江浙銀金融租賃股份有限公司), a company incorporated in the PRC on January 18, 2017 with limited liability, and an independent third party

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

Hong Kong, November 17, 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.