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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)

**RENEWAL OF ORIGINAL FRAMEWORK AGREEMENTS FOR
CONTINUING CONNECTED TRANSACTIONS AND
ENTERING INTO OF NEW FRAMEWORK AGREEMENT FOR
CONTINUING CONNECTED TRANSACTION**

References are made to the section headed “Connected Transactions” in the Prospectus and the announcements of the Company dated April 29, 2020 and September 15, 2021 in relation to, among other things, the provision of the Original Project Services to the Group by Xuyang Holding Group, the procurement of chemicals from Xuyang Holding Group by the Group and the sale of refined chemicals to Xuyang Holding Group by the Group under the original framework agreements for continuing connected transactions and their related supplemental agreements.

As the original framework agreements and their related supplemental agreements will expire on December 31, 2021, the Company and Xuyang Holding intend to renew the Project Services and the Integrated Procurement under the framework agreements for continuing connected transactions for 2022 to 2024 on or before the expiry dates.

Furthermore, the Company will enter into a new framework agreement for continuing connected transaction with Xuyang Holding in relation to the Informatization Services in order to continue the Group’s pursuit of leadership in the digitalization of the coking and chemical industries.

LISTING RULES IMPLICATIONS

As Xuyang Holding is a company wholly-owned by Mr. Yang Xuegang, who is the controlling shareholder, an executive Director, the chief executive officer and the 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, the Integrated Procurement and the Informatization Services 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, the Integrated Procurement and the Informatization Services exceeds 0.1% but is less than 5%, each of the Project Services, the Integrated Procurement and the Informatization Services is subject to the reporting, announcement and annual review requirements but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. INTRODUCTION

References are made to the section headed "Connected Transactions" in the Prospectus and the announcements of the Company dated April 29, 2020 and September 15, 2021 in relation to, among other things, the provision of the Project Services to the Group by Xuyang Holding Group, the procurement of chemicals from Xuyang Holding Group by the Group and the sale of refined chemicals to Xuyang Holding Group by the Group under the original framework agreements for continuing connected transactions and their related supplemental agreements.

As the original framework agreements and their related supplemental agreements will expire on December 31, 2021, the Company and Xuyang Holding intend to renew the Project Services and the Integrated Procurement under the framework agreements for continuing connected transactions for 2022 to 2024 on or before the expiry dates.

Furthermore, the Company will enter into a new framework agreement for continuing connected transaction with Xuyang Holding in relation to the Informatization Services in order to continue the Group's pursuit of leadership in the digitalization of the coking and chemical industries.

II. 2022-2024 PROJECT SERVICES FRAMEWORK AGREEMENT AND PROJECT SERVICES

Date of the 2022-2024 Project Services Framework Agreement

December 31, 2021

Parties

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

Scope of services

Pursuant to the 2022-2024 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 the 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 projects 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 2022-2024 Project Services Framework Agreement shall be valid from January 1, 2022 to December 31, 2024.

Historical amounts

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

Annual cap and basis

The Directors expect the maximum aggregate annual fees that Xuyang Holding Group charges for each of the three years ending December 31, 2022, 2023 and 2024 pursuant to the renewed 2022-2024 Project Services Framework Agreement will not exceed RMB800 million (tax-exclusive). In determining the annual cap, the Directors have considered (1) the historical amounts and (2) the progress (and expected completion dates, if applicable) of the existing projects, the portfolio of proposed projects, the expected commencement, position and progress of such projects, as well as the expected market conditions.

III. 2022-2024 INTEGRATED PROCUREMENT FRAMEWORK AGREEMENT AND INTEGRATED PROCUREMENT

Date of the 2022-2024 Integrated Procurement Framework Agreement

December 31, 2021

Parties

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

Scope of products to be procured

Pursuant to the 2022-2024 Integrated Procurement Framework Agreement, Xuyang Holding Group shall provide the Group with water purification chemicals 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. The Group will also procure, among other things, steel products, building materials and catalysts from Xuyang Holding Group according to its operational requirements and development strategies as well as the market conditions in addition to water purification chemicals and thermal coal under the Original Chemicals Procurement Framework Agreement and its related supplemental agreements.

Pricing policies

The prices of, among other things, the water purification chemicals for sewage treatment, thermal coal, steel products, building materials and catalysts to be provided by Xuyang Holding Group shall be determined by agreement between the parties with references 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 Integrated 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 an order with Xuyang Holding Group, the Group will also obtain quotations from independent third-party suppliers and submit such 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 Integrated Procurement is entered into on normal commercial terms and does not prejudice the interests of the Company and its shareholders as a whole.

Term

The 2022-2024 Integrated Procurement Framework Agreement shall be valid from January 1, 2022 to December 31, 2024.

Historical amounts

For the years ended December 31, 2019 and 2020 and the six-month period ended June 30, 2021, Xuyang Holding Group charged the Company actual fees (tax-exclusive) of RMB4.6 million, RMB89.2 million and RMB193.2 million, respectively, for the Chemicals Procurement. As at the date of this announcement, the actual fee that Xuyang Holding Group charged the Company has not exceeded the original annual cap for the year ending December 31, 2021 under the Original Project Services Framework Agreement and its related supplemental agreements.

Annual cap and basis

The Directors expect the maximum aggregate annual fees that Xuyang Holding Group charges for each of the three years ending December 31, 2022, 2023 and 2024 pursuant to the renewed 2022-2024 Integrated Procurement Framework Agreement will not exceed RMB800 million (tax-exclusive). In determining the annual cap, the Directors have considered (1) the historical amounts and (2) the Group's development strategies to expand its production capacity and, therefore, the expected increase in the demand of its production bases for, among other things, the water purification chemicals for sewage treatment, thermal coal, steel products, building materials and catalysts.

IV. 2022-2024 INFORMATIZATION SERVICES FRAMEWORK AGREEMENT AND INFORMATIZATION SERVICES

Date of the 2022-2024 Informatization Services Framework Agreement

December 31, 2021

Parties

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

Scope of products

Pursuant to the 2022-2024 Informatization Services Framework Agreement, Xuyang Holding Group shall provide the Group with related information system building services such as the construction of, among other things, smart logistics systems, safety and environmental protection management platforms and big screens of command centers in the course of its daily production and operation in accordance with the principles set out therein.

Pricing policies

The prices of the related information system building services to be provided by Xuyang Holding Group shall be determined by agreement between the parties with references 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 Informatization Services, 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 an order with Xuyang Holding Group, the Group will also obtain quotations from independent third-party suppliers and submit such 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 Informatization 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 2022-2024 Informatization Services Framework Agreement shall be valid from January 1, 2022 to December 31, 2024.

Historical amounts

During the years ended December 31, 2019 and 2020 and the six-month period ended June 30, 2021, no Informatization Services have been provided by Xuyang Holding for the Company.

Annual cap and basis

The Directors expect the maximum aggregate annual fees that Xuyang Holding Group charges for each of the three years ending December 31, 2022, 2023 and 2024 pursuant to the new 2022-2024 Informatization Services Framework Agreement will not exceed RMB200 million (tax-exclusive). In determining the annual cap, the Directors have considered the Informatization Services projects required by the Group in the digitalization of the coking and chemical industries.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Project Services

While the Group could procure independent third parties to provide such services, it considers that the 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 the Group's 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 the Group may obtain from independent third parties.

Integrated Procurement

While the Group could procure independent third parties to provide such products, it considers that the Integrated Procurement is beneficial to the Group as: (i) Xuyang Holding Group can provide stable supply of, among other things, water purification chemicals, thermal coal, steel products, building materials and catalysts; (ii) based on the past transactions, Xuyang Holding Group has extensive knowledge of the Group's requirements for, among other things, water purification chemicals, thermal coal, steel products, building materials and catalysts and 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.

Informatization Services

While the Group could procure independent third parties to provide such services, it considers that the provision of the Informatization Services is beneficial to the Group as: (i) Xuyang Holding Group can provide knowledge and experience in projects of the Informatization Services in relation to coking and refined chemical products; (ii) Xuyang Holding Group has extensive knowledge of the Group's 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 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, an executive Director, the chief executive officer and the 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, the Integrated Procurement and the Informatization Services 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, the Integrated Procurement and the Informatization Services exceeds 0.1% but is less than 5%, each of the Project Services, the Integrated Procurement and the Informatization Services is subject to the reporting, announcement and annual review requirements but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the 2022-2024 Project Services Framework Agreement, the 2022-2024 Integrated Procurement Framework Agreement, the 2022-2024 Informatization Services Framework Agreement and the continuing connected transactions contemplated thereunder will be conducted on normal commercial terms, 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 annual caps of the Project Services, the Integrated Procurement and the Informatization Services 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 resolutions to approve the Project Services, the Integrated Procurement and the Informatization Services.

GENERAL

The Group and the Company

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.

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, research, development and manufacturing of water purification chemicals for sewage treatment, and projects of informatization services 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:

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| “2022-2024 Informatization Services Framework Agreement” | the 2022-2024 Informatization Services Framework Agreement dated December 31, 2021 entered into by the Company and Xuyang Holding |
| “2022-2024 Integrated Procurement Framework Agreement” | the 2022-2024 Integrated Procurement Framework Agreement dated December 31, 2021 entered into by the Company and Xuyang Holding |
| “2022-2024 Project Services Framework Agreement” | the 2022-2024 Project Services Framework Agreement dated December 31, 2021 entered into by the Company and Xuyang Holding |
| “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 on November 8, 2007 with limited liability and listed on the Stock Exchange (stock code: 1907) |
| “connected person(s)” | as defined in the Listing Rules |

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| “controlling shareholder(s)” | as defined in the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Informatization Services” | the transaction involving the provision of informatization services to the Company by Xuyang Holding Group pursuant to the 2022-2024 Informatization Services Framework Agreement |
| “Integrated Procurement” | the transaction involving the procurement of, among other things, water purification chemicals for sewage treatment, thermal coal for power and heat generation, steel products, building materials and catalysts by the Company from Xuyang Holding Group pursuant to the 2022-2024 Integrated Procurement Framework Agreement |
| “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” | the transaction involving the procurement of water purification chemicals for sewage treatment, thermal coal for power and heat generation, steel products, building materials and catalysts by the Company from Xuyang Holding Group pursuant to the Original Chemicals Procurement Framework Agreement |
| “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 Agreements dated April 29, 2020 and September 15, 2021 |
| “Original Project Services” | the transaction involving the provision of the Project Services to the Company by Xuyang Holding Group pursuant to the Original Project Services Framework Agreement |
| “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 Agreements dated April 29, 2020 and September 15, 2021 |

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| “PRC” or “China” | the People’s Republic of China, excluding, for the purpose of this announcement only, the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Taiwan region |
| “Project Services” | the transaction involving the provision of project services to the Company by Xuyang Holding Group pursuant to the 2022-2024 Project Services Framework Agreement |
| “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 |
| “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 |
| “Xuyang Holding Group” | Xuyang Holding and its subsidiaries |

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

Hong Kong, December 31, 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.