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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)

**FURTHER ANNOUNCEMENT
TO CONTINUOUS CONNECTED TRANSACTIONS FOR 2022–2024**

Reference is made to the announcement of China Risun Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated December 31, 2021 (the “**Announcement**”) in relation to continuing connected transaction involving the renewal of original framework agreements for continuing connected transactions and entering into of new framework agreement for continuing connected transaction. Unless otherwise stated, capitalized terms used herein shall bear the same meanings as defined in the Announcement.

The Company further states that the basis for:

(1) 2022–2024 PROJECT SERVICES FRAMEWORK AGREEMENT

Xuyang Holding Group shall provide the Group with project design, construction management and general contracting services. The revised annual cap was determined mainly based on:

- (i) the expanded production base in Shandong Province which was completely acquired by the Group in January 2021 in order to upgrade the production lines and environmental protection facilities in Dongming and Yuncheng in Shandong Province to align with the standards of other production bases of the Group;
- (ii) upgrade the existing production bases of the Group, the Group’s environmental protection facilities as well as the development of new production lines of coke and chemicals products;

- (iii) the proposed construction of production facilities of hydrogen energy products in production bases in Dingzhou and Xingtai of Hebei Province and Huhhot of Inner Mongolia;

Since there are higher demand for environmental protection improvement work, development of new products, the increment in revised annual cap of the 2022–2024 Project Services Framework Agreement is considered to be fair and reasonable.

(2) 2022–2024 INTEGRATED PROCUREMENT FRAMEWORK AGREEMENT

Xuyang Holding Group shall provide the Group with water purification chemicals, thermal coal for power and heat generation, steel products, building materials, catalysts, etc. The revised annual cap was determined mainly based on:

- (i) the expanded production base in Shandong Province which was completely acquired by the Group in January 2021, as the demand for water purification chemicals, steel products, building materials, catalysts, etc. is higher than the previous demand for the three years ended December 31, 2019 to 2021;
- (ii) the estimated demand and unit price for thermal coal for power and heat generation in production bases in Dongming and Yuncheng of Shandong Province and Cangzhou of Hebei Province, as the expected demand and supply of electricity is foreseen to be tight and the unit price of thermal coal will be higher than before;

Thus, the significant increment in revised annual cap of the 2022–2024 Integrated Procurement Framework Agreement is considered to be fair and reasonable.

(3) 2022–2024 INFORMATIZATION SERVICES FRAMEWORK AGREEMENT

Xuyang Holding Group shall provide the Group with information system building services. In the past three years ended December 31, 2019, 2020 and 2021, these information system building services were provided by Beijing Risun Digital Technology Limited (“**Risun Digital**”), a subsidiary indirectly-owned as to 71.05% by the Group.

For the three years ended December 31, 2019, 2020 and 2021, Risun Digital charged the Group actual fees (tax-exclusive) of RMB5.0 million, RMB23.8 million and RMB70.4 million respectively for the information system building services.

Risun Digital previously planned to apply for Internet Content Provider (ICP) and Electronic Data Interchange (EDI) licenses in the PRC but it was the PRC Law requirement that the license applicant should be wholly-owned by domestic shareholder. In December 2021, the entire shareholding of Risun Digital was transferred to Xuyang Holding at the consideration of approximately RMB11,137,000 (the “**equity transfer**”) as determined by considering the paid-in capital of Risun Digital of RMB15,475,000. The equity transfer was an exempted connected transaction because all the applicable percentage ratios in respect of the equity transfer are less than 0.1%.

The annual cap was determined mainly based on the demand for information technology systems and platform in the daily operation of the Group. As disclosed in the Company’s 2020 annual report, one of the strategic development priorities of the Group is to promote the construction of digital factories to optimize the efficiency of its management system of the production bases of the Group in the PRC and overseas. This can enhance the effectiveness of the management of different production lines of the production bases by the Company in its headquarters in Beijing.

It is in the interest to the shareholders of the Company and the Group that Risun Digital continue to provide the information services to the Group, therefore, the annual cap under the 2022–2024 Informatization Services Framework Agreement is considered to be fair and reasonable.

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

Hong Kong, January 6, 2022

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.