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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
FURTHER PROVISION OF GUARANTEES TO RISUN CHINA GAS**

References are made to the announcements published by the Company on November 17, 2021, November 19, 2021 and January 23, 2022 in relation to the provision of the Previous Six Rounds of Financial Assistance (including borrowings and guarantees) by the Group to Risun China Gas, a joint venture of the Group.

The Board hereby announces that, during the period between May 30, 2022 and July 4, 2022, Risun China Gas entered into the (1) Zheyin Finance Lease Agreement with Zheyin Leasing, (2) Yuan Hui Factoring Agreement with Yuan Hui, and (3) Cinda Finance Lease Agreement with Cinda Financial Leasing for the purpose of procuring coke ovens for the investment in and the construction of new coking projects. The Group shall provide guarantees for the above three facilities with the expected maximum payment obligation to be assumed by the Group not exceeding RMB1,092.46 million. The guarantee fees to be charged by the Group to Risun China Gas for the above guarantees shall amount to RMB3.38 million in aggregate.

IMPLICATIONS UNDER THE LISTING RULES

The purpose of the continuous provision of financial assistance by the Group to Risun China Gas is to ensure the timely operation of the new coking projects of Risun China Gas. As at the date of this announcement, together with the Previous Six Rounds of Financial Assistance, the Group had provided Risun China Gas with short-term borrowings/guarantees in an aggregate amount of approximately RMB2,326.96 million.

On a standalone basis, all of the applicable percentage ratios in respect of each of the Seventh Guarantee and the Eighth Guarantee are below 5%, while the highest applicable percentage ratio in respect of the Ninth Guarantee exceeds 5% but below 25%. As such financial assistance is agreed upon for the investment in and the construction of the same new coking projects of Risun China Gas, the transactions will be aggregated in accordance with the requirements of Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratio(s) in respect of the aggregate maximum guarantee amount assumed under the Seventh to the Ninth Guarantees (in aggregation with the Previous Six Rounds of Financial Assistance) will exceed 5% but all be lower than 25%, the provision of such guarantees is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

References are made to the announcements published by the Company on November 17, 2021, November 19, 2021 and January 23, 2022 in relation to the provision of the Previous Six Rounds of Financial Assistance (including borrowings and guarantees) by the Group to Risun China Gas.

The Board hereby announces that, during the period between May 30, 2022 and July 4, 2022, Risun China Gas entered into the (1) Zheyin Finance Lease Agreement with Zheyin Leasing, (2) Yuan Hui Factoring Agreement with Yuan Hui, and (3) Cinda Finance Lease Agreement with Cinda Financial Leasing for the purpose of procuring coke ovens for the investment in and the construction of new coking projects. The Group shall provide guarantees for the above three facilities with the expected maximum payment obligation to be assumed by the Group not exceeding RMB1,092.46 million. The guarantee fees to be charged by the Group to Risun China Gas for the above guarantees shall amount to RMB3.38 million in aggregate.

SEVENTH GUARANTEE

On May 30, 2022, Risun China Gas (as lessee) entered into the Zheyin Finance Lease Agreement with Zheyin Leasing (as lessor) for the purpose of procuring and leasing coke oven equipment. On the same day, each of Risun Group and Hebei Risun Energy (as guarantors), being wholly-owned subsidiaries of the Company, and Zheyin Leasing (as the guaranteed party) entered into the respective Zheyin Guarantee Agreements, pursuant to which Risun Group and Hebei Risun Energy shall provide performance guarantee for Risun China Gas.

The principal terms under the Zheyin Finance Lease Agreement and the Zheyin Guarantee Agreements are summarized as follows:

- Date of agreement : May 30, 2022
- Parties : Risun China Gas (as lessee) and Zheyin Leasing (as lessor) in respect of the Zheyin Finance Lease Agreement
- Risun Group and Hebei Risun Energy (each as a guarantor) and Zheyin Leasing (as the guaranteed party) in respect of the Zheyin Guarantee Agreements
- Finance lease : Zheyin Leasing shall, according to the list provided by Risun China Gas, purchase coke oven equipment and ancillary facilities, which shall be leased to Risun China Gas for a term of 36 months. Total amount of the finance lease is approximately RMB250.00 million, and the interest rate is fixed at 6.10% per annum, being the 1-year LPR plus 240.00 basis points (BP).
- Guarantee : Risun Group and Hebei Risun Energy, being wholly-owned subsidiaries of the Company, shall be jointly liable for all debts of Risun China Gas under the Zheyin Finance Lease Agreement. The guarantee is an irrevocable joint maximum amount guarantee.

The guarantee shall cover all rents, default penalties, liquidated damages, various costs paid by Zheyin Leasing to realize its principal debts and guarantee interests and all other amounts owed by the lessee and payable by Risun China Gas to Zheyin Leasing under the Zheyin Finance Lease Agreement. In the event of a change in the agreed interest rate under the Zheyin Finance Lease Agreement, the guarantee shall also cover the amount of adjustment for such change.

Taking into account the maximum principal amount of the finance lease and the interest, fees and costs payable under the Zheyin Finance Lease Agreement, it is expected that the maximum payment obligation to be guaranteed by the Group shall be up to approximately RMB278.83 million.

The guarantee period shall be three years from the expiry date of the performance period of the final matured debt due under the Zheyin Finance Lease Agreement.

Upon signing the Zheyin Guarantee Agreements, the Group shall charge Risun China Gas a guarantee fee of RMB749,000 for the Seventh Guarantee. Such amount is determined based on the calculated value of the guarantee as advised by an independent valuer. Calculated value (having the same meaning in this announcement below) is defined as “an estimate as to the value of a business, business ownership, security or intangible assets, arrived at by applying calculation engagement procedures agreed upon with the client and using professional judgement as to the value or range of values based on those procedures”.

EIGHTH GUARANTEE

On June 27, 2022, Risun Marketing and Yuan Hui entered into the Yuan Hui Factoring Agreement, in which it is agreed that Risun Marketing shall transfer the accounts receivable from Risun China Gas to Yuan Hui in order to obtain factoring payments. Yuan Hui, as creditor, shall have all the rights to the accounts receivable from Risun China Gas. On the same day, Risun Group and Yuan Hui entered into the Yuan Hui Guarantee Agreement, pursuant to which Risun Group shall provide performance guarantee for Risun China Gas (as purchaser to the underlying trade agreements) and Risun Marketing (as factoring debtor).

The principal terms under the Yuan Hui Factoring Agreement and the Yuan Hui Guarantee Agreement are summarized as follows:

Date of agreement	:	June 27, 2022
Parties or relevant parties	:	Risun Marketing (as transferor of the accounts receivable) and Yuan Hui (as transferee of the accounts receivable) in respect of the Yuan Hui Factoring Agreement Risun Group (as guarantor) and Yuan Hui (as factoring creditor) in respect of the Yuan Hui Guarantee Agreement Risun China Gas is the purchaser to the underlying trade agreements in respect of the accounts receivable under the Yuan Hui Factoring Agreement and the Yuan Hui Guarantee Agreement
Factoring finance	:	Yuan Hui shall provide disclosed factoring without recourse for Risun Marketing by accepting the transfer of the creditor’s rights to the accounts receivable incurred by Risun Marketing as a result of the underlying trade agreements between Risun Marketing and Risun China Gas.

The creditor's rights to the accounts receivable shall comprise trade receivables from Risun China Gas already incurred by Risun Marketing in the amount of RMB60 million as well as those to be incurred in the future, with an expected total amount of RMB100.00 million. Such trade receivables are related to the procurement of coke oven-related equipment for the investment in and the construction of new coking projects by Risun China Gas. Risun China Gas has agreed in writing to the transfer of the creditors' rights to such trade receivables by Risun Marketing to Yuan Hui.

Factoring facility limit : Yuan Hui shall provide Risun China Gas with a revolving factoring facility limit of RMB100.00 million.

The term of the commercial factoring is 12 months from June 27, 2022 to June 23, 2023, and the factoring interest rate is fixed at 8.0%.

Guarantee : Risun Group shall provide maximum amount guarantee for a series of creditor's rights of Yuan Hui as a result of its acceptance of transfer of accounts receivable under the Yuan Hui Factoring Agreement. The guarantee is an irrevocable joint guarantee.

The guarantee shall cover all factoring payments, factoring fees, reassignment financing, default penalties, liquidated damages and all other amounts as well as all expenses and costs paid by the factoring creditor to realize the Yuan Hui Factoring Agreement and the relevant guarantee interests payable by Risun China Gas and Risun Marketing, as the factoring debtors, to the factoring creditor under the Yuan Hui Factoring Agreement.

The guarantee period for each of the principal debts under the Yuan Hui Guarantee Agreement shall be three years from the expiry date of the performance period of such principal debts.

Taking into account the maximum principal amount of the Yuan Hui Factoring Agreement and the factoring payments, factoring fees, other fees and costs payable under the commercial factoring agreement, it is expected that the maximum payment obligation to be guaranteed by the Group shall be up to approximately RMB108.00 million.

Upon signing the Yuan Hui Guarantee Agreement, the Group shall charge Risun China Gas a guarantee fee of RMB112,000, which is determined based on the calculated value of the guarantee as advised by an independent valuer.

NINTH GUARANTEE

On July 4, 2022, Risun China Gas (as lessee) entered into the Cinda Finance Lease Agreement with Cinda Financial Leasing (as lessor) for the purpose of procuring and leasing coke oven-related equipment. Each of the Company, Risun Group and Hebei Risun Energy (as guarantors) and Cinda Financial Leasing entered into the respective Cinda Guarantee Agreements, pursuant to which the Company, Risun Group and Hebei Risun Energy shall guarantee the performance by Risun China Gas under the Cinda Finance Lease Agreement.

The principal terms under the Cinda Finance Lease Agreement and the Cinda Guarantee Agreements are summarized as follows:

Date of agreement	:	July 4, 2022
Parties	:	Risun China Gas (as lessee) and Cinda Financial Leasing (as lessor) in respect of the Cinda Finance Lease Agreement The Company, Risun Group and Hebei Risun Energy (as guarantors) and Cinda Financial Leasing (as the guaranteed party) in respect of the Cinda Guarantee Agreements
Finance lease	:	Cinda Financial Leasing shall provide Risun China Gas with a finance lease totaling up to approximately RMB600.0 million. The term of the finance lease is 48 months, and the interest rate is fixed at 6.43%, being the 5-year LPR plus 178 basis points (BP). The purpose of the finance lease is for Risun China Gas to procure coke ovens for the investment in and the construction of the new coking projects.
Asset security	:	Risun China Gas will provide guarantee for the finance lease using its own land and real estate located in Qingshuihe County, Inner Mongolia.

Guarantee : The Company, Risun Group and Hebei Risun Energy shall provide joint guarantee for all liabilities of Risun China Gas under the Cinda Finance Lease Agreement. The guarantee is an irrevocable joint guarantee.

The guarantee shall cover all rents, default penalties, liquidated damages, various costs paid by Cinda Financial Leasing to realize its principal debts and guarantee interests and all other amounts payable by Risun China Gas to Cinda Financial Leasing under the Cinda Finance Lease Agreement. In the event of a change in the agreed interest rate under the Cinda Finance Lease Agreement, the guarantee shall also cover the amount of adjustment for such change.

Taking into account the maximum principal amount of and the interest, fees and costs payable, it is expected that the maximum payment obligation to be guaranteed by the Group shall be up to approximately RMB705.63 million.

The guarantee period shall be from the execution date of the Cinda Guarantee Agreements up to the third anniversary of the expiry date of the performance period of the final matured debt of Risun China Gas under the Cinda Finance Lease Agreement.

Upon signing the Cinda Guarantee Agreements, the Group shall charge Risun China Gas a guarantee fee of RMB2,522,000, which is determined based on the calculated value of the guarantee as advised by an independent valuer.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE GUARANTEES

The operation of coking facility in Qingshuihe County, Hohhot, Inner Mongolia of Risun China Gas was suspended prior to August 2019. Subsequently, the Group invested in Risun China Gas by way of capital injection and resumed the operation of the coking facility of Risun China Gas. With the Group's continuous effort to optimize the operation of Risun China Gas over the past three years, Risun China Gas has seen improvements in its financial position. The Company expects that the newly constructed coking projects of Risun China Gas will gradually commence operation in the second half of this year and will increase the Group's coke production. This will generate considerable investment return to the Group in the long run, thereby bringing profit to the Group and return to the Company's shareholders. In addition, the new coking projects invested by Risun China Gas is in accordance with the new production capacity targets, and therefore exhibits tremendous future development potential and commercial value under the climate action goals of "striving to achieve peak carbon dioxide emissions before 2030 and carbon neutrality before 2060".

Given that the finance costs of the Group range from 1.82% to 12.00% per annum in general with an average of approximately 6% per annum, the Directors are of the view that the interest rates per annum agreed for the seventh to the ninth facilities are appropriate based on the financial position of Risun China Gas. At present, the seventh to the ninth facilities are critical to the on-going new coking projects of Risun China Gas and will assist Risun China Gas in obtaining necessary funding from the market at appropriate costs based on the current supply and demand of capital in the financing market.

The Directors consider that whilst the provision of the Seventh to the Ninth Guarantees is not in the ordinary course of business of the Group, the terms thereof are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL INFORMATION

The 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 businesses to other provinces of the PRC, such as Inner Mongolia Autonomous Region and Shandong Province, and planned to expand its foreign operation to Sulawesi Province, Republic of Indonesia progressively.

Risun Group is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

Hebei Risun Energy is an indirect wholly-owned subsidiary of the Company and is principally engaged in the production of coke and coking products.

Risun Marketing is an indirect wholly-owned subsidiary of the Company and is principally engaged in the trading of coke, coking chemicals and refined chemicals.

Risun China Gas

Risun China Gas owns coking and refined chemical facilities in the production base in Qingshuihe County, Hohhot, Inner Mongolia Autonomous Region. It is a joint venture of the Company and is owned as to 55% by Risun Group (an indirect wholly-owned subsidiary of the Company), 30% by Huhhot Zhongran Urban Gas Development Co., Ltd.* (呼和浩特中燃城市燃氣發展有限公司) (whose ultimate beneficial owner is China Gas Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0384.HK)) and 15% by Tianjin Baisen Energy Technology Co., Ltd.* (天津百森能源科技有限公司) (whose ultimate beneficial owner is Jia Tielin (賈鐵林)).

In accordance with the articles of association of Risun China Gas, the Group shall be entitled to appoint two of the five directors while the financial decisions of Risun China Gas in relation to financing and dividend activities require the unanimous consent of all the shareholders. As such, notwithstanding that 55% of the equity interests in Risun China Gas is held by the Company, Risun China Gas is considered as a joint venture of the Group.

To the best of the Directors' knowledge, information and belief, the other two shareholders of Risun China Gas and their respective ultimate beneficial owners are independent of the Company and the connected persons of the Company.

Zheyin Leasing

Zheyin Leasing, a company incorporated in the PRC 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 51% by China Zheshang Bank Co., Ltd., a national joint-stock commercial bank (a bank listed on the main board of each of the Shanghai Stock Exchange and the Stock Exchange, stock codes: 601916.SH, 2016.HK), and initially established in conjunction with Zhejiang Provincial Financial Holdings Co., Ltd.* (浙江省金融控股有限公司) and Zhoushan Marine Comprehensive Development and Investment Co., Ltd.* (舟山海洋綜合開發投資有限公司). With the goal of building a professional, distinctive and differentiated financial leasing company, Zheyin Leasing actively embraces financial technology and continues to offer innovative 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.

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

Yuan Hui

Yuan Hui, a company established on July 11, 2017 with a registered capital of RMB50 million, is wholly-owned by Mengneng Capital Holding Co., Ltd.* (蒙能資本控股有限公司) and ultimately and beneficially owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Inner Mongolia Autonomous Region. It is currently the only wholly state-owned commercial factoring company under the State-owned Asset Supervision and Administration Commission of Inner Mongolia. Adhering to the business philosophy of growing and prospering together, it provides solutions to clients with liquidity needs by constantly improving its professional servicing ability with innovative supply chain financing services based on risk control that follows a prudent development approach.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Yuan Hui and its ultimate beneficial owner(s) are third parties independent of the Company and the connected persons of the Company.

Cinda Financial Leasing

Cinda Financial Leasing is a non-bank financial institute established with the approval of the former China Banking Regulatory Commission. It was established in 2010 and held as to 99.92% by China Cinda Asset Management Co., Ltd. from restructuring the former Western Leasing. Registered in Lanzhou with a registered capital of RMB3,505 million, it has two offices in Beijing and Lanzhou. China Cinda Asset Management Co., Ltd. is a company listed on the Stock Exchange (stock code: 1359.HK) and is the first financial asset management company established with the approval of the State Council of the PRC.

Ever since its resumption of operation in 2010, Cinda Financial Leasing has been actively facilitating national strategies and rigorously supporting and serving the development of the real economy by fully leveraging the advantages of financial leasing products that have long terms and comprise sale-and-leaseback and mortgage in collaboration with the principal operations of China Cinda. As at the end of 2021, the total assets of Cinda Financial Leasing exceeded RMB70 billion.

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

IMPLICATIONS UNDER THE LISTING RULES

The purpose of the continuous provision of financial assistance by the Group to Risun China Gas is to ensure the timely operation of the new coking projects of Risun China Gas. As at the date of this announcement, together with the Previous Six Rounds of Financial Assistance, the Group has provided Risun China Gas with short-term borrowings/guarantees in an aggregate amount of approximately RMB2,326.96 million.

On a standalone basis, all of the applicable percentage ratios in respect of each of the Seventh Guarantee and the Eighth Guarantee are below 5%, while the highest applicable percentage ratio in respect of the Ninth Guarantee exceeds 5% but below 25%. As such financial assistance is agreed upon for the investment in and the construction of the same new coking projects of Risun China Gas, the transactions will be aggregated in accordance with the requirements of Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratio(s) in respect of the aggregate maximum guarantee amount assumed under the Seventh to the Ninth Guarantees (in aggregation with the Previous Six Rounds of Financial Assistance) will exceed 5% but all be lower than 25%, the provision of such guarantees is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“1-year LPR”	the 1-year loan prime rate announced by the National Interbank Funding Center of the PRC in April 2022
“5-year LPR”	the 5-year loan prime rate announced by the National Interbank Funding Center of the PRC in May 2021
“Board”	the board of directors of the Company
“Cinda Financial Leasing”	Cinda Financial Leasing Co., Ltd.* (信達金融租賃股份有限公司), a company incorporated in the PRC with limited liability on December 28, 1996 and an independent third party to the Company
“Cinda Finance Lease Agreement”	the finance lease agreement entered into between Cinda Financial Leasing and Risun China Gas on July 4, 2022
“Cinda Guarantee Agreements”	the irrevocable guarantee letters entered into between the Company, Risun Group and Hebei Risun Energy (as guarantors) and Cinda Financial Leasing (as the guaranteed party) on July 4, 2022
“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 director(s) of the Company
“Eighth Guarantee”	the guarantee provided by Hebei Risun Energy by way of surety for the liabilities of Risun Marketing and Risun China Gas under the factoring arrangement
“Hebei Risun Energy”	Hebei Risun Energy Limited* (河北旭陽能源有限公司) (formerly known as Hebei Risun Coking Limited* (河北旭陽焦化有限公司)), a company established in the PRC with limited liability on October 30, 2003 and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and otherwise modified from time to time

“Ninth Guarantee”	the guarantee provided by the Group by way of surety for the liabilities of Risun China Gas under the Cinda Finance Lease Agreement
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and the Taiwan region
“Previous Six Rounds of Financial Assistance”	the financial assistance provided by the Group to Risun China Gas during the period between November 2021 and January 2022, the details of which are set out in the announcements of the Company dated November 17, 2021, November 19, 2021 and January 23, 2022
“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 with limited liability on June 15, 2018 and a joint venture of the Company
“Risun Group”	Risun Group Limited (formerly known as Risun Chemicals Limited), a company established in the PRC with limited liability on January 8, 2010 and an indirect wholly-owned subsidiary of the Company
“Risun Marketing”	Risun Marketing Limited* (旭陽營銷有限公司) (formerly known as Beijing Risun Hongye Chemicals Company Limited* (北京旭陽宏業化工有限公司)), a company established in the PRC with limited liability on February 2, 2008 and an indirect wholly-owned subsidiary of the Company
“Seventh Guarantee”	the guarantee provided by the Group by way of surety for the liabilities of Risun China Gas under the Zheyin Finance Lease Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yuan Hui”	Yuan Hui Commercial Factoring (Tianjin) Co., Ltd.* (元滙商業保理(天津)有限公司), a company incorporated in the PRC with limited liability on July 11, 2017 and an independent third party to the Company
“Yuan Hui Factoring Agreement”	the commercial factoring agreement entered into between Risun Marketing and Yuan Hui on June 27, 2022

“Yuan Hui Guarantee Agreement”	the maximum amount guarantee agreement entered into between Risun Group (as guarantor) and Yuan Hui (as factoring creditor) on June 27, 2022 in respect of the principal debts under the Yuan Hui Factoring Agreement
“Zheyin Finance Lease Agreement”	the finance lease agreement entered into between Risun China Gas and Zheyin Leasing on May 30, 2022
“Zheyin Guarantee Agreements”	two maximum guarantee agreements entered into between Risun Group and Hebei Risun Energy (as guarantors) and Zheyin Leasing (as the guaranteed party) on May 30, 2022 in respect of the principal debts under the Zheyin Finance Lease Agreement
“Zheyin 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 with limited liability on January 18, 2017 and an independent third party to the Company

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

Hong Kong, July 4, 2022

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.

* *for identification purpose only*