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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

JOINT INVESTMENT IN AND ESTABLISHMENT OF DE TIAN COKING

The Board is pleased to announce that on June 30, 2021 (after trading hours), Risun Investments, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Tianjin Xintiangang and Stephanie Development, pursuant to which the three parties have agreed to jointly establish, by way of capital injection, De Tian Coking, which will invest in the construction of a coking project (with a capacity of 4.7 million tonnes/year) in Morowali Industrial Park in Sulawesi, Indonesia. Risun Investments will subscribe for US\$59.52 million, representing 24% of the registered capital of the Joint Venture. In addition, Risun Investments may also provide shareholder loan in an amount up to approximately US\$285 million to De Tian Coking if De Tian Coking is not able to obtain external financing for the project. Upon its establishment, De Tian Coking will be an equity joint venture of the Group.

As one or more applicable percentage ratio(s) exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

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SALIENT TERMS OF THE JOINT VENTURE AGREEMENT

Date June 30, 2021 (after trading hours)

Parties (i) Tianjin Xintiangang;
(ii) Stephanie Development; and
(iii) Risun Investments.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, Tianjin Xintiangang and Stephanie Development and their respective ultimate beneficial owner(s) are independent third parties of the Company and its connected persons (as defined in the Listing Rules).

Capital injection Each party will subscribe for and make contribution to the Joint Venture according to the Joint Venture Agreement as follows:

Investing parties	Subscribed contribution (US\$ million)	Shareholding percentage (%)	Method of contribution
Tianjin Xintiangang	126.48	51%	Cash contribution
Stephanie Development	62.00	25%	Cash contribution
Risun Investments	59.52	24%	Cash contribution
Total	<u>248.00</u>	<u>100%</u>	

Within 15 business days following the establishment of the Joint Venture and opening of the bank account, Tianjin Xintiangang, Stephanie Development and Risun Investments shall inject capital in the amounts of US\$0.51 million, US\$0.25 million and US\$0.24 million, respectively, totaling US\$1 million, to the Joint Venture in proportion to their respective shareholding percentages. Within 15 business days after the establishment of the Joint Venture, the opening of the bank account and the completion of the approval procedures for the offshore investment in the PRC to be made by Tianjin Xintiangang and Risun Investments (for the avoidance of misunderstanding, this means obtaining the offshore investment certificate from the commerce authority and the offshore investment approval from the development and reform authority), the parties shall inject an aggregate accumulated capital of US\$100 million to the Joint Venture in proportion to their respective shareholding percentages. The parties shall increase and inject the registered capital according to subsequent capital needs. Each of the capital injections shall be subject to the passing of a resolution by the Board as a reserved matter and shall be made in proportion to their respective shareholding percentages within 15 business days from the issuance of payment notice by the chairman of the Joint Venture.

Business scope

The Joint Venture will be principally engaged in (i) the construction and operation of the coking project in Morowali Industrial Park, Indonesia, with an annual production volume of 4.7 million tonnes, and (ii) the provision of other businesses related to the aforesaid coking project.

Risun Investments will make payment for the capital contribution to the Joint Venture in installments with 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, 2021 and June 3, 2021) and/or loan facilities.

Investment in the
ancillary coking project

The project will have a total investment of approximately US\$830 million. The exact total investment amount shall be subject to the amount stated in the feasibility report unanimously confirmed by the parties. In particular:

- (1) 30% of the total investment (i.e. US\$248 million) shall be funded by the three shareholders by means of equity investment in proportion to their respective shareholding percentages in the Joint Venture with their own funds;
- (2) 35% of the total investment (i.e. US\$291 million) will be funded by advance payments for project construction cost to be obtained from the main contractor(s); and
- (3) 35% of the total investment (i.e. US\$291 million) will be financed through medium- to long-term loan facilities to be obtained from banks during the construction stage and early operation stage upon the completion of the project.

The parties to the Joint Venture shall provide guarantee in proportion to their respective shareholding percentages according to the requirements of any project finances. If the Joint Venture is not able to obtain funding through advance payments from the main contractor(s) and/or medium- to long-term loans from banks, the shortfall will be financed through medium- to long-term shareholder loans from Tianjin Xintiangang and Risun Investments in the respective proportion of 51% and 49%, and the aggregate principal amount of the shareholder loan committed by Risun Investments shall be no more than US\$285 million. The annualized interest rates of the shareholder loans shall be limited to not exceeding 6% with a term of no less than 8 years, and there will be no repayment of principal in the first 2 years. If the advance payments from the main contractor(s) and/or loans from banks are obtained during the term of the shareholder loans, the shareholder loans of the same amount shall be replaced and repaid to Tianjin Xintiangang and Risun Investments in proportion to the respective amounts of shareholder loans provided by them within one month upon the receipt of such advance payments and/or bank facilities.

General meeting	<p>The general meeting comprising all shareholders of the Joint Venture shall be the highest authority of the Joint Venture. General meetings shall only be convened in the presence of shareholders representing in aggregate over four-fifth of all voting rights or their proxies. If not enough shareholders are present to form a quorum, a second general meeting may be convened with a quorum of shareholders representing in aggregate over two-third of all voting rights or their proxies. Pursuant to the Joint Venture Agreement, certain major matters, including but not limited to any investments, financings, borrowings, disposals and acquisitions and connected transactions reaching a threshold amount, shall be subject to approval of the shareholders representing over four-fifth of all voting rights.</p>
Board of directors	<p>The board of directors of the Joint Venture shall comprise 5 directors, of whom 3 shall be nominated by Tianjin Xintiangang and 1 shall be nominated by each of Stephanie Development and Risun Investments. The chairman shall be one of the directors nominated by Tianjin Xintiangang.</p>
Board of supervisors	<p>The board of supervisors of the Joint Venture shall comprise 3 supervisors and each party shall appoint 1 supervisor. The chairman of the board of supervisors shall be the supervisor to be appointed by Stephanie Development.</p>
Management	<p>The senior management, including general manager, vice general manager of finance, finance manager, deputy finance manager, vice general manager of production, vice general manager of supply and sales, vice general manager of technology and the financing controller, shall be appointed or dismissed with reference to the recommendations of the parties to the Joint Venture as follows:</p> <ol style="list-style-type: none"> (1) 1 general manager, a role to be concurrently taken up by the chairman of the board of directors, responsible for project construction and operation of the Joint Venture under the leadership of the board of directors. (2) 1 vice general manager of finance to be nominated by Tianjin Xintiangang and appointed by the board of directors.

- (3) 1 finance manager to be nominated by Stephanie Development and appointed by the chairman of the board of directors. The finance manager shall assist the vice general manager of finance to oversee financial management. All financial procedures (including but not limited to the financial expenses) of the Joint Venture shall be jointly approved by the vice general manager of finance as well as the finance manager.
- (4) 1 deputy finance manager to be nominated by Risun Investments and appointed by the chairman of the board of directors. The deputy finance manager shall assist the vice general manager of finance and the finance manager to conduct cost accounting.
- (5) 1 vice general manager of production to be nominated by Risun Investments and appointed by the board of directors to be responsible for the production operation of the Joint Venture.
- (6) 1 vice general manager of technology to be nominated by Risun Investments and appointed by the board of directors to assist the chairman to handle technological, quality, engineering and construction matters.
- (7) 1 vice general manager of supply and sales to be nominated by Tianjin Xintiangang and appointed by the board of directors to be responsible for the Joint Venture's supply and sales matters.
- (8) 1 supply manager and 1 sales manager to be nominated by Risun Investments and Tianjin Xintiangang, respectively, and appointed by the chairman of the board of directors to assist the vice general manager of supply and sales to manage supply and sales matters.
- (9) 1 financing controller to be nominated by Tianjin Xintiangang and appointed by the board of directors to be responsible for the Joint Venture's financing matters.

Profit distribution	<p>The Joint Venture shall firstly repay principals and interest under relevant bank financing agreements according to the agreed repayment arrangements, and then repay principals and interest due under the shareholder loan agreements according to the agreed repayment arrangements. Subsequently, and if there is distributable net profit for the year after remedy of losses and appropriations for surplus reserve, other reserves, corporate development fund and staff reward and welfare fund, such net profit for the year shall be distributed in proportion to the paid-in capital contributions. The profit distribution ratio shall be 50% of the distributable profits for the year.</p>
Effectiveness of the Joint Venture Agreement	<p>The Joint Venture Agreement shall be effective upon signing by the legal representative/director or authorized representative of each party and affixing their respective corporate seals onto it and shall be implemented upon obtaining all approvals from the governments of the PRC and Indonesia as well as internal approvals of the parties for the Joint Venture Agreement.</p> <p>Any party(ies) in breach of any obligation stipulated thereunder 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

The Joint Venture plans to invest in and construct a coking project with an annual volume of 4.7 million tonnes in Morowali Industrial Park in Sulawesi, Indonesia, which is one of the exemplary cooperation projects under the Belt and Road Initiative. Dozens of large-scale metal smelting enterprises have or will have business establishments in the park and it is expected that the demand for coke will be enormous in the future.

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, this Transaction will allow the Group to establish a new production base in Indonesia with renowned steel producers and achieve mutual benefits, thereby going overseas for the first time. More importantly, the Group can further reinforce its leadership position as an independent producer and supplier of coke through this 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 Province, 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). The majority of the coke products will be sold to Tianjin Xintiangang in the PRC. Therefore, there will be 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.

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 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.

INFORMATION ON TIANJIN XINTIANGANG

Tianjin Xintiangang is a company incorporated in the PRC with limited liability, and an indirect wholly-owned subsidiary of Delong Holdings Limited through Delong Steel & Iron Limited. Delong Holdings Limited and its subsidiaries are principally engaged in the investments in the iron, steel and related sectors, including the development of mineral resources, production of iron and steel, trading of minerals, iron and steel, as well as overseas investments. The ultimate beneficial owner of Tianjin Xintiangang is Mr. Ding Ligu (丁立國). Mr. Ding was a delegate of the Eleventh National People's Congress of the PRC.

INFORMATION ON STEPHANIE DEVELOPMENT

Stephanie Development, a company incorporated in Singapore with limited liability, is principally engaged in the integrated development of natural resources and the management of investment projects. To the best knowledge of the Directors having made all reasonable enquiries, Stephanie Development and its ultimate beneficial owner(s) are independent third parties of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratio(s) exceed 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

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
“Group”	the Company and its subsidiaries
“Indonesia”	the Republic of Indonesia
“Joint Venture” or “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 and Stephanie Development in Indonesia
“Joint Venture Agreement”	the cooperation and investment agreement entered into by and amongst Risun Investments, Tianjin Xintiangang and Stephanie Development on June 30, 2021 in relation to a coking project with an annual volume of 4.7 million tonnes in Indonesia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and otherwise modified from time to time
“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
“Stephanie Development”	Stephanie Development Pte. Ltd., a company established in Singapore with limited liability on March 25, 2021

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Xintiangang”	Tianjin Xintiangang Project Management Co., Ltd.* (天津市新天鋼項目管理有限公司), a company established in the PRC with limited liability on May 13, 2021 and ultimately controlled by Delong Holdings Limited* (德龍控股有限公司)
“Transaction”	the joint investment in and establishment of De Tian Coking under the Joint Venture Agreement

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

Hong Kong, June 30, 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.

* *For identification purpose only*