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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)**

**MAJOR TRANSACTION**  
**ACQUISITION OF PARTNERSHIP INTERESTS IN SHUNRI XINZE**

Reference is made to the announcement of the Company dated September 12, 2019 in relation to the cooperation project between the Group and the Cinda Parties in respect of the six Hongye Chemicals Enterprises' bankruptcy restructuring.

**THIS TRANSACTION**

The Board hereby announces that on October 16, 2020, Risun Chemicals, an indirect wholly-owned subsidiary of the Company, entered into the Interests Transfer Agreement with China Cinda, Cinda Capital and Shunri Xinze, pursuant to which Risun Chemicals will acquire all LP Interests and GP Interests in Shunri Xinze in stages; and at the same time, the parties have also agreed on specific arrangements for the management and operation of Shunri Xinze during the Transitional Period. The Transfer Price is RMB4.851 billion and will be paid by Risun Chemicals in installments, with the last installment to be paid on or before September 15, 2024. In addition, Risun Chemicals is required to pay the Compensation for Deferred Debts to China Cinda at an annual interest rate of 10%, and the total amount is expected to not exceed RMB1.11 billion.

China Cinda is required to complete the transfer of 30% LP Interests in Shunri Xinze to Risun Chemicals within 30 working days of the First Completion Date. Within 30 working days of Risun Chemicals completing payment of all Fees Payable under the Interests Transfer Agreement, China Cinda and Cinda Capital will transfer the remaining 69.98% LP Interests and 0.02% GP Interests in Shunri Xinze to Risun Chemicals, respectively. Shunri Xinze and the six Hongye Chemicals Enterprises will become subsidiaries of the Company upon the First Completion.

During the Transitional Period from the First Completion Date to the Transaction Completion Date, Risun Chemicals and the Cinda Parties will jointly manage and operate Shunri Xinze. Cinda Capital will serve as the managing partner of Shunri Xinze during the Transitional Period, and its remuneration will be paid by Risun Chemicals. The total amount is expected to not exceed RMB11.10 million.

As part of the credit enhancement arrangements for this Transaction, on October 16, 2020, the Company entered into the Guarantee Agreement and the six Hongye Chemicals Enterprises entered into the Debt Accession Agreement with the Cinda Parties, respectively. Under the Guarantee Agreement, the Company, as guarantor, will provide joint liability guarantees for the Fees Payable by Risun Chemicals to the Cinda Parties for this Transaction; meanwhile, pursuant to the Debt Accession Agreement, the six Hongye Chemicals Enterprises will act as joint debtors of Risun Chemicals, and assume liabilities for Risun Chemical's debts under the Interests Transfer Agreement.

### **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio is higher than 25% but lower than 100%, this Transaction constitutes a major transaction of the Company and shall be subject to the reporting, announcement, circular to shareholders and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no shareholders have any material interest in this Transaction which is different from other shareholders as at the date of this announcement. Therefore, no shareholders are required to abstain from voting if the Company were to convene a general meeting for the approval of this Transaction. However, following the due diligence review conducted by the Group on the Target Group, it has come to the Directors' notice that the Target Group's reporting accountants will issue a disclaimer of opinion in the accountants' reports of the Target Group for the three years ended December 31, 2017, 2018 and 2019 for the reason that the reporting accountants are unable to carry out necessary procedures to obtain sufficient appropriate audit evidence for certain items and disclosures to be included in the financial statements of the six Hongye Chemicals Enterprises before their bankruptcy restructuring. Accordingly, pursuant to Rule 14.86 of the Listing Rules, the Company will hold a special general meeting to consider and, if thought fit, approve this Transaction. A circular containing the details of this Transaction and the notice of the special general meeting will be dispatched to the shareholders in due course in accordance with the Listing Rules and the articles of association of the Company.

Reference is made to the announcement of the Company dated September 12, 2019 in relation to the cooperation project between the Group and the Cinda Parties in respect of the six Hongye Chemicals Enterprises' bankruptcy restructuring. Since July 2019, the Group has been providing entrusted operations management services for the six Hongye Chemicals Enterprises, and has been fully responsible for the production management and operation of these companies.

The Board hereby announces that on October 16, 2020, Risun Chemicals, an indirect wholly-owned subsidiary of the Company, entered into the Interests Transfer Agreement with China Cinda, Cinda Capital and Shunri Xinze, pursuant to which Risun Chemicals will acquire all LP Interests and GP Interests in Shunri Xinze in stages; and at the same time, the parties have also agreed on specific arrangements for the management and operation of Shunri Xinze during the Transitional Period. As part of the credit enhancement arrangements for this Transaction, the Company has entered into the Guarantee Agreement and the six Hongye Chemicals Enterprises have each entered into the Debt Accession Agreement with the Cinda Parties, respectively. Shunri Xinze and the six Hongye Chemicals Enterprises will become subsidiaries of the Company upon the First Completion.

## **I. TRANSACTION DOCUMENTS**

The Group and the six Hongye Chemicals Enterprises have entered into the Transaction Documents with the Cinda Parties for this Transaction, including the Interests Transfer Agreement, the Guarantee Agreement and the Debt Accession Agreement. The salient terms of the Transaction Documents are as follows:

### **1. Interests Transfer Agreement**

Signing Date and Effective Date:	The Interest Transfer Agreement was signed and sealed by the representatives of the parties on October 16, 2020, but it will only become effective when this Transaction is approved by the shareholders at the special general meeting of the Company, which is expected to be held in December 2020.
Parties:	Risun Chemicals (as the buyer), China Cinda (as a transferor), Cinda Capital (as a transferor) and Shunri Xinze (as the target enterprise)

Interests Transfer and  
Transfer Price:

The Cinda Parties will transfer the interests in Shunri Xinze to Risun Chemicals in stages in accordance with the terms of Interests Transfer Agreement. Risun Chemicals will pay the entire Transfer Price in installments, with the last installment to be paid on or before September 15, 2024. Details are as follows:

Transferor	Interests held in Shunri Xinze	Paid-in capital interests (in RMB)	Corresponding Transfer Price (in RMB)	Payment amount and time
China Cinda	LP Interests	4.199 billion	4.85 billion	(i) On the effective date of the Interests Transfer Agreement: RMB1.35 billion, which will be converted from Entrusted Operations Deposits and Acquisition Deposits; (ii) Within three working days after the effective date of Interests Transfer Agreement: RMB350 million; (iii) On or before September 15, 2023: RMB1.575 billion; and (iv) On or before September 15, 2024: RMB1.575 billion.
Cinda Capital	GP Interests	RMB1 million	RMB1 million	On or before September 15, 2024: RMB1 million.
	Total	RMB4.2 billion	RMB4.851 billion	

The Transfer Price was determined after negotiations between the Group and Cinda Parties at arm's length and with reference to the valuation as at June 30, 2020 (i.e. RMB4.85 billion) of all GP Interests and LP Interests of Shunri Xinze by an independent third-party evaluation institution, which was determined using a market approach.

The Company expects to pay the Transfer Price through internal resources and bank loans.

Payment Arrangements for the Compensation: Risun Chemicals shall pay the Compensation to China Cinda, comprising a one-off payment of RMB63 million to be paid before December 31, 2020 and subsequent payments on a quarterly basis at a rate of 10% per annum for the actual outstanding amount of the Deferred Debts. The aggregate amount of the Compensation is expected not to exceed RMB1.11 billion.

The Compensation was agreed after arm's length negotiations between the Group and the Cinda Parties, having considered (i) the initial costs and expenses incurred by the Cinda Parties in relation to the bankruptcy restructuring of the six Hongye Chemicals Enterprises; (ii) the Group's highest annual rates of 8% and 8.86% of capitalized finance costs in 2019 and 2018 respectively; (iii) absence of security over any asset or equity of Risun Chemicals requested by the Cinda Parties at the time of entering into the Interests Transfer Agreement; and (iv) potential synergies effects to be created from the addition of the Target Group to the Company.

Completion and Relevant Arrangements: Within 30 working days of the First Completion Date, 30% of the LP Interests shall be delivered by China Cinda to Risun Chemicals; within 30 working days of Risun Chemicals completing the payment of all Fees Payable under the Interests Transfer Agreement (including the Transfer Price, Compensation and Remuneration of Managing Partner), the remaining 69.98% LP Interests and 0.02% GP Interests held by China Cinda and Cinda Capital, respectively, shall be transferred to Risun Chemicals.

This Transaction shall be regarded as being completed upon completion of the registration procedures in respect the full transfer of LP interests and all GP interests.

Arrangements during the Transitional Period:

During the Transitional Period, Risun Chemicals and the Cinda Parties will jointly manage and operate Shunri Xinze. The parties will enter into a partnership agreement upon the Interests Transfer Agreement taking effect, to govern the operation and management of Shunri Xinze during the Transitional Period, with the key terms set out as follows:

*Purpose of the partnership*

The purpose of Shunri Xinze is to hold the equity interests in the six Hongye Chemicals Enterprises. Shunri Xinze is not engaged in any other businesses.

*Managing Partner*

Cinda Capital will act as the managing partner of Shunri Xinze.

Risun Chemicals will pay, on an annual basis, the Remuneration of Managing Partner, which is calculated based on the actual outstanding amount of the Deferred Debts under the Interests Transfer Agreement at a rate of 0.1% per annum for a period from September 2019 to the date of fulfillment of all the payment obligations by Risun Chemicals, and the total amount is expected not to exceed RMB11.10 million. The Remuneration of Managing Partner is determined by reference to the market standard of partnership enterprises of the same type.

*Investment Decision-Making Committee*

The Investment Decision-Making Committee shall be comprised of five members. Risun Chemicals shall be entitled to appoint three members, while each of China Cinda and Cinda Capital shall be entitled to appoint one member. Each member of the Investment Decision-Making Committee shall have one vote. Certain customary reserved matters shall be subject to the unanimous consent of the Investment Decision-Making Committee, such as significant investments or disposal of assets of any of the six Hongye Chemical Enterprises. Other general decision-making matters shall be subject to the approval of more than one half of the members of the Investment Decision-Making Committee, such as decisions on appointment of directors, general managers and legal representatives of the Hongye Chemicals Enterprise(s).

### *Profits Distribution and Loss Sharing*

Before settlement of the Fees Payable in full by Risun Chemicals, and in the absence of any default by Risun Chemicals, the distributable profits of Shunri Xinze shall be distributed as follows:

- (1) to China Cinda until the distribution amount received by China Cinda equals to the unpaid amount owed by Risun Chemicals to China Cinda under the Interests Transfer Agreement.
- (2) to Cinda Capital until the distribution amount received by Cinda Capital equals to the unpaid amount owed by Risun Chemicals to Cinda Capital under the Interests Transfer Agreement, which must not exceed the aggregate of the paid-up capital contributions by Cinda Capital (i.e. RMB1 million) and the then outstanding Remuneration of Managing Partner.
- (3) to Risun Chemicals.

Upon full payment of the Fees Payable, all profits of Shunri Xinze shall be distributed to Risun Chemicals.

#### Credit Enhancement Arrangements:

1. The Cinda Parties shall have the right to require the six Hongye Chemicals Enterprises to pledge the land, property and core equipment assets in which it has clear property rights as security for the Fees Payable by Risun Chemicals.
2. The Cinda Parties shall have the right to require Shunri Xinze to pledge its equity interests in the six Hongye Chemicals Enterprises as security for the Fees Payable by Risun Chemicals.

As at the date of this announcement, the Cinda Parties have not requested for security over any assets or equity from either Risun Chemicals or the six Hongye Chemicals Enterprises.

3. The Company entered into the Guarantee Agreement, and the six Hongye Chemicals Enterprises entered into the Debt Accession Agreement, with the Cinda Parties on October 16, 2020. Please refer to the sections headed “– 2. Guarantee Agreement” and “– 3. Debt Accession Agreement” below for details.

Undertakings and  
Guarantee:

Risun Chemicals has provided the Cinda Parties with certain customary representations and warranties, including but not limited to:

- (1) an ability to maintain the debt to asset ratio of the Company and Risun Chemicals below an agreed threshold; and
- (2) the 30% LP Interests must not be disposed of or pledged as security, unless permitted by China Cinda.

Liability for  
Breach of Contract:

China Cinda is entitled to certain remedies including penalty interest, enforcement of security and termination of the Interests Transfer Agreement in the event of any default in the timely payment of the Fees Payable by Risun Chemicals, the six Hongye Chemicals Enterprises or the Company.

## **2. The Guarantee Agreement**

Signing Date and  
Effective Date:

The Guarantee Agreement is signed and sealed by the representatives of the parties on October 16, 2020, but it will only become effective when the Interests Transfer Agreement becomes effective.

Parties:

The Company (as the guarantor), China Cinda (as a creditor) and Cinda Capital (as a creditor)

Extent of the  
Guarantee:

The Company agreed to provide a joint liability guarantee for Risun Chemicals’ payment obligations under the Interests Transfer Agreement.



Guarantee Term:	A term from the effective date of the Guarantee Agreement to the date falling three years after the expiry of the payment obligations of Risun Chemicals as stipulated in the Interests Transfer Agreement.
Undertakings and Guarantee:	The Company has provided the Cinda Parties with certain customary representations and warranties including restrictive covenants on the reduction of share capital and corporate actions which may materially impact its ability to satisfy its obligations under the Guarantee Agreement.

### **3. Debt Accession Agreement**

Signing Date and Effective Date:	The Debt Accession Agreement is signed and sealed by the representatives of the parties on October 16, 2020, but it will only become effective when the Interests Transfer Agreement becomes effective.
Parties:	China Cinda (as a creditor), Cinda Capital (as a creditor) and the six Hongye Chemicals Enterprises (as joint debtors)
Debt Accession:	The six Hongye Chemicals Enterprises will be the joint debtors of Risun Chemicals and assume joint liability for Risun Chemicals' payment obligations under the Interests Transfer Agreement.

## **II. REASONS FOR AND BENEFITS OF THIS TRANSACTION**

Shunri Xinze beneficially holds 100% of the equity interests in the six Hongye Chemicals Enterprises. The six Hongye Chemicals Enterprises are upstream and downstream enterprises that are mainly engaged in the production of coke and coking chemicals and refined chemical products. Since July 2019, the Group has been providing entrusted operations management services for the six Hongye Chemicals Enterprises and has been fully responsible for their production, management and operation.

Given the six Hongye Chemicals Enterprises' production capacity, scale of operation and the market share in their respective regions and considering the Group's expansion plan, the Company is of the view that this Transaction is conducive to the future business expansion of the Company.

**1) Capture the potential growth of coke and refined chemicals market**

The Group is an integrated coke, coking chemical and refined chemical producer and supplier in China. The Group planned to explore market opportunities to provide operations management services and expand our business through acquisitions and joint ventures. This Transaction is in line with the Group's expansion strategy to capture the potential growth of coke and refined chemicals market and can strengthen the Group's leading position in the market.

**2) Expand geographical location**

The Group is mainly based in Hebei province of China and the Target Group is based in the Shandong province of China. Upon completion of this Transaction, the Group will be able to expand its geographical reach. Shandong province is one of the major sales locations of the Group where many of its customers are based. Currently, the sales network of the Group covers most provinces of China and the majority of the Group's products are sold in northern and eastern China. The Group can sell the products manufactured by the six Hongye Chemicals Enterprises to the Group's customers directly from the new production locations which can lower the transportation costs and increase the Group's competitive advantages.

**3) Potential synergy with the Group's existing business**

Currently, the Group sources raw materials, mainly coking coal, in scale in order to lower the production costs. Upon completion of this Transaction and together with expansion of the operations and management services business, the Group can further procure raw materials by economics of scale and enlarge its price spread between its products and its raw materials. This can achieve a higher gross profit margin for the coke products as well as the refined chemical products.

Moreover, the Group currently has an annual production capacity of 150,000 tons of caprolactam in its Cangzhou Production Base. The Group's annual production capacity of caprolactam is expected to increased to 350,000 tons by consolidating the annual production capacities of the six Hongye Chemicals Enterprises.

**4) Expand brand name**

Upon completion, this Transaction will be the first bankruptcy restructuring project in the history of coke industry in Shandong province. By operating two green factories recognized by the Ministry of Industry and Information Technology of China, the Group can demonstrate through this Transaction how to promote industry consolidation and improve coking enterprises by enhancing outdated production facilities. It can further promote the Group's image by taking a leading role in consolidating the standard of environmental protection in the coke industry.

After taking the above reasons into account, the Directors are of the view that this Transaction is conducted on normal commercial terms, and the terms of the Transaction Documents are fair and reasonable and in the interests of the Company and its shareholders as a whole.

### **III. INFORMATION ON THE TARGET GROUP**

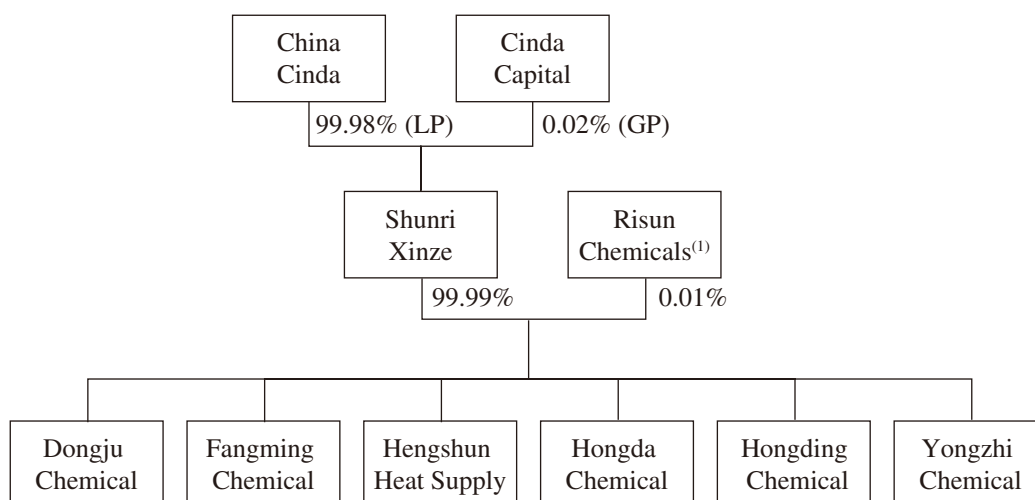
#### **1. Shareholding Structure of the Target Group**

The six Hongye Chemicals Enterprises previously were sizable enterprises with a complete industrial chain under the chemical sector of Hongye Group, and they are principally engaged in the production of petrochemical products, coke and coking chemicals as well as steam supply. Their plants are located in Shandong Dongming Engineering Plastic Industrial Park (山東省東明工程塑料產業園) and Shandong Yuncheng Chemical Industrial Park (山東省鄆城化工產業園). The annual production capacity of the six Hongye Chemicals Enterprises' major equipment includes 1,200,000 tons of coke and coking chemicals, 200,000 tons of caprolactam, 80,000 tons of nylon 6 slices, 230,000 tons of vitriol, 260,000 tons of hydrogen peroxide and 150,000 tons of synthesis ammonia.

In September 2018, the Intermediate People's Court of Heze City, Shandong Province ruled that 29 Hongye Group Companies, including the six Hongye Chemicals Enterprises, shall undergo merger and bankruptcy restructuring. The Cinda Parties, as the specified entities designated by the sole restructuring investors, an Independent Third Party, to participate in the bankruptcy restructuring investment, carried out bankruptcy restructuring of the Hongye Group Companies. As of the date of this announcement, the bankruptcy restructuring proposal has been fully executed. Shunri Xinze was jointly established by China Cinda (as the sole limited partner) and Cinda Capital (as the sole general partner) under PRC law on July 24, 2019 for the exclusive purpose of taking over the equity interests in the six Hongye Chemicals Enterprises.

On September 16, 2019, Shunri Xinze entered into a restructuring investment agreement with the sole restructuring investor, bankruptcy administrators and the six Hongye Chemicals Enterprises, and was appointed as a restructuring investor for the six Hongye Chemicals Enterprises. On September 18, 2019, Shunri Xinze paid a restructuring price of RMB4.2 billion to the restructuring investors to acquire all the equity interests in the six Hongye Chemicals Enterprises. As of the date of this announcement, Shunri Xinze beneficially owns 100% of the equity interests in each of the six Hongye Chemicals Enterprises.

The following chart depicts the shareholding structure of the Target Group as at the date of this announcement:

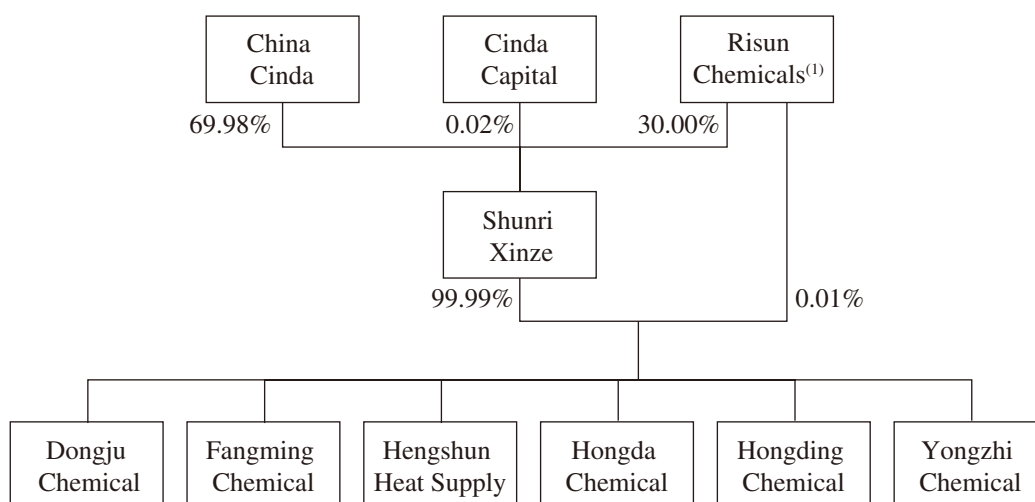


*Note:*

1. Risun Chemicals is holding the 0.01% equity interests in each of the six Hongye Chemicals Enterprises for Shunri Xinze on trust.

Upon the First Completion and the completion of this Transaction, Risun Chemicals will hold the interests in the Target Group. The following charts depict the shareholding structure of the Target Group upon the First Completion and the completion of this Transaction, respectively:

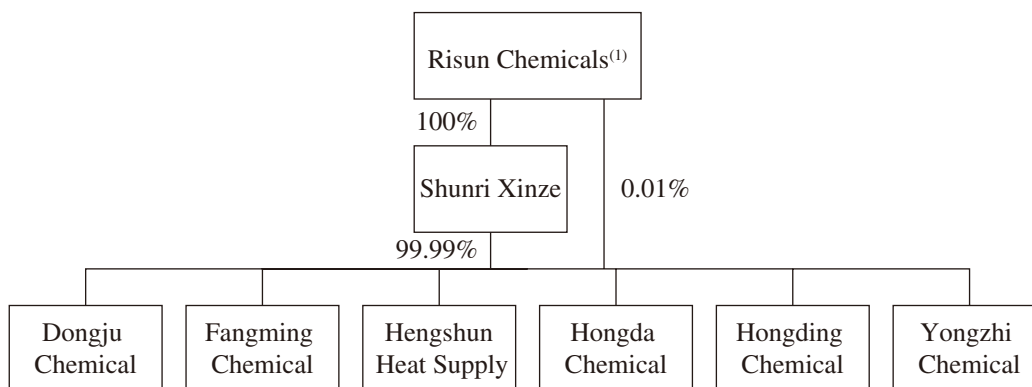
***Upon the First Completion***



*Note:*

- (1) Risun Chemicals is holding the 0.01% equity interests in each of the six Hongye Chemicals Enterprises for Shunri Xinze on trust.

*Upon completion of this Transaction*



*Note:*

- (1) The trust holding arrangements between Shunri Xinze and Risun Chemicals will terminate upon completion of this Transaction.

## 2. Financial Information of Shunri Xinze

As of June 30, 2020, the unaudited net assets of Shunri Xinze amounted to RMB4.6 billion. For the period from July 24, 2019 (being the date of incorporation of Shunri Xinze) to December 31, 2019 and the six months ended June 30, 2020, the unaudited net profit/(loss) before and after taxation and non-recurring items of Shunri Xinze are as follows:

	<b>For the period from July 24, 2019 to December 31, 2019 (RMB million)</b>	<b>For the six months ended June 30, 2020 (RMB million)</b>
Unaudited net profit/(loss) (before taxation and non-recurring items)	(116)	(145)
Unaudited net profit/(loss) (after taxation and non-recurring items)	575	(142)

## IV. IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio is higher than 25% but lower than 100%, this Transaction constitutes a major transaction of the Company and shall be subject to the provisions on the reporting, announcement, circular to shareholders and shareholders' approvals under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no shareholders have any material interest in this Transaction which is different from other shareholders as at the date of this announcement. Therefore, no shareholders are required to abstain from voting if the Company were to convene a general meeting for the approval of this Transaction.

However, following the due diligence review conducted by the Group on the Target Group, it has come to the Directors' notice that the Target Group's reporting accountants will issue a disclaimer of opinion in the accountants' reports of the Target Group for the three years ended December 31, 2017, 2018 and 2019 for the reason that the reporting accountants are unable to carry out necessary procedures to obtain sufficient appropriate audit evidence for certain items and disclosures included in the financial statements of the six Hongye Chemicals Enterprises for the years ended December 31, 2017, 2018 and 2019.

Nevertheless, it is advised by the PRC legal adviser of the Company that, in accordance with the ruling of Intermediate People's Court of Heze City, Shandong Province, all debts and liabilities incurred by the six Hongye Chemicals Enterprises prior to the bankruptcy restructuring date (namely, September 28, 2018) shall be paid and settled by the bankruptcy administrators by using the equity fund of RMB4.2 billion injected by Shunri Xinze in September 2019, and the six Hongye Chemicals Enterprises will only be responsible for the debts and liabilities incurred after the bankruptcy restructuring date. Therefore, when considering this Transaction, the Company made its decision mainly based on due diligence it had performed over the Target Group, the valuation of the Target Group as at June 30, 2020, the financial positions of the six Hongye Chemicals Enterprises as at June 30, 2020 and their financial performance and cash flows for the six months ended June 30, 2020.

As a result of the above-mentioned disclaimed accountants' reports and according to Rule 14.86 of the Listing Rules, the Company will hold a special general meeting to consider and, if thought fit, approve this Transaction. A circular containing the details of this Transaction and the notice of the special general meeting will be dispatched to the shareholders in due course in accordance with the Listing Rules and the articles of association of the Company.

## **V. GENERAL INFORMATION**

### **1. The Group**

The Company is a leading integrated coke, coking chemical and refined chemical producer and supplier in China, with customers located in both China and overseas. The Group currently operates four production bases in Hebei Province, China. Risun Chemicals is an indirect wholly-owned subsidiary of the Company.

## 2. The Cinda Parties

China Cinda is a company listed on the Stock Exchange and the first financial asset management company approved by the State Council and established for the purpose of defusing financial risks effectively, maintaining the stability of financial system and promoting the reform and development of state-owned banks and enterprises, and its principal business includes distressed asset management, investment and asset management, as well as financial services.

Cinda Capital is a wholly-owned subsidiary of China Cinda, and its principal business is equity investment.

To the best of the Board's knowledge, information and belief and having made all reasonable enquiries, the Cinda Parties are not connected with the Group, and are not connected persons of the Company under the Listing Rules.

## VI. DEFINITIONS

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

“Acquisition Deposits”	the deposits of RMB675 million that Risun Chemicals has paid to the Cinda Parties in accordance with the Framework Agreement entered into between China Cinda, Cinda Capital, Risun Chemicals and Shunri Xinze on September 12, 2019 in relation to the bankruptcy restructuring project of the six Hongye Chemicals Enterprises
“Board”	the board of directors of the Company
“China Cinda”	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a joint stock company incorporated in the PRC with limited liability and listed on the Stock Exchange (stock code: 1359), and an Independent Third Party
“Cinda Capital”	Cinda Capital Management Co., Ltd. (信達資本管理有限公司), a company incorporated in the PRC with limited liability, being a wholly-owned subsidiary of China Cinda, and an Independent Third Party
“Cinda Parties”	China Cinda and Cinda Capital

“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)
“Compensation”	the compensation payable to China Cinda by Risun Chemicals in accordance with the terms of the Interests Transfer Agreement
“Debt Accession Agreement”	the Debt Accession Agreement entered into between China Cinda, Cinda Capital and the six Hongye Chemicals Enterprises on October 16, 2020
“Deferred Debts”	the actual unpaid portion payable to China Cinda out of Transfer Price after the First Completion but before the completion of this Transaction
“Directors”	the director(s) of the Company
“Dongju Chemical”	Shandong Dongju Chemical Co., Ltd. (山東東巨化工股份有限公司), a joint stock company established in the PRC on December 17, 2009
“Entrusted Operations Deposits”	the entrusted operations deposits of RMB675 million paid by Risun Chemicals in accordance with the Entrusted Operations Management Agreement dated September 12, 2019 and between China Cinda, the Target Group, the sole restructuring investor for the Hongye Group bankruptcy restructuring (which is an Independent Third Party), Risun Chemicals and Beijing Risun Hongye Chemicals Co., Ltd. (北京旭陽宏業化工有限公司, an indirect wholly-owned subsidiary of the Company)
“Fangming Chemical”	Shandong Fangming Chemical Co., Ltd. (山東方明化工股份有限公司), a joint stock company established in the PRC on July 4, 2002
“Fees Payable”	the whole fees payable by Risun Chemicals under the Interests Transfer Agreement, including Transfer Price, Compensation, Remuneration of Managing Partner, default penalty and the relevant costs



“First Completion”	the completion of transfer of 30% LP Interests held by China Cinda to Risun Chemicals in accordance with Interests Transfer Agreement
“First Completion Date”	the date on which the Cinda Parties have received the first RMB1.7 billion of the Transfer Price after the Interest Transfer Agreement becomes effective
“GP Interests”	all the partnership interests in Shunri Xinze held by Cinda Capital as the general partner to be transferred by Cinda Capital to Risun Chemicals in accordance with the Interests Transfer Agreement
“Group”	the Company and its subsidiaries
“Guarantee Agreement”	the Guarantee Agreement entered into between the Company, China Cinda and Cinda Capital on October 16, 2020
“Hengshun Heat Supply”	Shandong Hengshun Heat Supply Co., Ltd. (山東恒順供熱有限公司), a limited liability company established in the PRC on November 8, 2012
“Hongda Chemical”	Shandong Hongda Chemical Co., Ltd. (山東洪達化工有限公司), a limited liability company established in the PRC on September 12, 2008
“Hongding Chemical”	Shandong Hongding Chemical Co., Ltd. (山東洪鼎化工有限公司), a limited liability company established in the PRC on December 6, 2010
“Hongye Chemicals Enterprises”	Dongju Chemical, Fangming Chemical, Hengshun Heat Supply, Hongda Chemical, Hongding Chemical and Yongzhi Chemical. As of the date of this announcement, Shunri Xinze directly holds 99.99% equity interests in each of these companies, and Risun Chemicals holds 0.01% equity interests in each company for Shunri Xinze on trust
“Hongye Group”	Hongye Chemical Group Co., Ltd. (洪業化工集團股份有限公司), a joint stock company established in the PRC on January 17, 2005 and an Independent Third Party

“Hongye Group Companies”	Hongye Group and its then subsidiaries before their bankruptcy restructuring
“IFRSs”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standard Board
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to be best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with the Company and its connected persons as defined under the Listing Rules
“Interests Transfer Agreement”	the Interests Transfer Agreement in relation to Wuhu Shunri Xinze Equity Investment Partnership (LP) entered into between Risun Chemicals, China Cinda, Cinda Capital and Shunri Xinze on October 16, 2020
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“LP Interests”	part or all (as the case may be) of the partnership interests in Shunri Xinze held by China Cinda as the limited partner to be transferred by China Cinda to Risun Chemicals or its designated entity in accordance with the Interests Transfer Agreement
“PRC” or “China”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region
“Remuneration of Managing Partner”	remuneration of Cinda Capital serving as the managing partner of Shunri Xinze to be paid by Risun Chemicals in accordance with the terms of the Interests Transfer Agreement
“Risun Chemicals”	Risun Group Limited (旭陽集團有限公司, formerly known as Risun Chemicals Limited (旭陽化工有限公司)), a limited liability company established in the PRC on January 8, 2010 and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Shunri Xinze”	Wuhu Shunri Xinze Equity Investment Partnership (LP) (蕪湖順日信澤股權投資合夥企業(有限合夥)), a limited partnership incorporated in the PRC on July 24, 2019
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“this Transaction”	the acquisition of all the GP Interests and LP Interests in Shunri Xinze by the Group
“Target Group”	Shunri Xinze and the six Hongye Chemicals Enterprises
“Transaction Completion Date”	the date on which the Cinda Parties complete the transfer of all the LP Interests and GP Interests in Shunri Xinze to Risun Chemicals and/or the entities designated by Risun Chemicals in accordance with the Interests Transfer Agreement
“Transaction Documents”	the Interests Transfer Agreement and the ancillary agreements, including the Guarantee Agreement and the Debt Accession Agreement entered into between the Group, the Cinda Parties and the six Hongye Chemicals Enterprises for the purpose of this Transaction
“Transfer Price”	the price to be paid to the Cinda Parties by Risun Chemicals for obtaining LP Interests and GP Interests under the Interests Transfer Agreement
“Transitional Period”	the period from and including the First Completion Date to the Transaction Completion Date
“Yongzhi Chemical”	Shandong Yongzhi Chemical Co., Ltd. (山東勇智化工有限公司), a limited liability company established in the PRC on December 15, 2010

By order of the Board  
**China Risun Group Limited**  
**Ho Pui Lam Joseph**  
*Company Secretary*

Hong Kong, October 18, 2020

*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.*