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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
ESTABLISHMENT OF TWO JOINT VENTURES WITH
PINGXIANG MINING INDUSTRY GROUP AND
WUJO LIGHT INDUSTRY AND CHEMICALS GROUP**

The Board of the Company is pleased to announce that on November 23, 2020 (after trading hours), Risun Group, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Pingxiang Mining Industry Group and Wujo Light Industry and Chemicals Group, pursuant to which the parties have agreed to jointly establish two Joint Ventures, being Pingxiang Risun Energy (investing in the construction of the coking project) and Pingxiang Anyuan Glass (investing in the construction of the glass project) by means of capital contribution. Risun Group will subscribe for RMB322.5 million (representing an initial shareholding percentage of 43%) and RMB129 million (representing an initial shareholding percentage of 43%) of the registered capital of Pingxiang Risun Energy and Pingxiang Anyuan Glass, respectively.

As one or more of the applicable percentage ratios are higher than 5% but lower than 25%, the transactions constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements but exempt from shareholders' approval requirements.

The board of directors (the “**Board**”) of China Risun Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that on November 23, 2020 (after trading hours), Risun Group Limited (“**Risun Group**”), a wholly-owned subsidiary of the Company, entered into a joint venture cooperation agreement (the “**Joint Venture Agreement**”) with Pingxiang Mining Industry Group Co., Ltd. (萍鄉礦業集團有限責任公司) (“**Pingxiang Mining Industry Group**”) and Hunan Wujo Light Industry and Chemicals Group Co., Ltd. (湖南五江輕化集團有限公司) (“**Wujo Light Industry and Chemicals Group**”), pursuant to which the three parties have agreed to jointly establish two joint ventures, being Pingxiang Risun Energy Co., Ltd. (萍鄉旭陽能源有限公司) (“**Pingxiang Risun Energy**”)

(investing in the construction of the coking project) and Pingxiang Anyuan Glass Co., Ltd. (萍鄉安源玻璃有限公司) (“**Pingxiang Anyuan Glass**”, together with Pingxiang Risun Energy, the “**Joint Ventures**”) (investing in the construction of the glass project) by means of capital contribution, which will invest in the 3.6 million tonnes/year coking project (1.8 million tonnes/year for phase 1 and 1.8 million tonnes/year for phase 2) and the 1,200 tonnes/day float glass and further processed glass project, respectively, located in Xiangdong Industrial Park (湘東工業園) in Pingxiang City, Jiangxi Province, the People’s Republic of China (the “**PRC**”). Risun Group will subscribe for RMB322.5 million (representing an initial shareholding percentage of 43%) and RMB129 million (representing an initial shareholding percentage of 43%) of the registered capital of Pingxiang Risun Energy and Pingxiang Anyuan Glass, respectively.

DETAILS OF THE JOINT VENTURE AGREEMENT

Date November 23, 2020 (after trading hours)

Parties (i) Pingxiang Mining Industry Group;

(ii) Risun Group; and

(iii) Wujo Light Industry and Chemicals Group.

To the best of the knowledge, information and belief of the directors, having made all reasonable enquiries, Pingxiang Mining Industry Group, Wujo Light Industry and Chemicals Group and their respective ultimate beneficial owners are independent third parties of the Company and its connected persons as at the date of this announcement.

Capital contribution Pingxiang Risun Energy (investing in the construction of the coking project)

| | Contribution amount (RMB) | Corresponding contribution percentage | Contribution method |
|--|---------------------------------|---|--------------------------|
| Risun Group | 322.5 million | 43% | Monetary contribution |
| Pingxiang Mining Industry Group | 315 million | 42% | Monetary contribution |
| Wujo Light Industry and Chemicals Group | 112.5 million | 15% | Monetary contribution |
| Total | <u>750 million</u> | <u>100%</u> | |

Pingxiang Anyuan Glass (investing in the construction of the glass project)

| | Contribution amount (RMB) | Corresponding contribution percentage | Contribution method |
|--|--|--|--------------------------------|
| Risun Group | 129 million | 43% | Monetary contribution |
| Pingxiang Mining Industry Group | 126 million | 42% | Monetary contribution |
| Wujo Light Industry and Chemicals Group | 45 million | 15% | Monetary contribution |
| Total | <u>300 million</u> | <u>100%</u> | |

Within one month of the establishment of the two Joint Ventures, the parties shall first transfer capital contributions amounting to 5% of the subscription amount to the accounts of the Joint Ventures. The remaining subscribed contributions shall be paid in full by the shareholders within two years of the establishment of the two Joint Ventures (the specific capital contributions shall be made by the parties based on the progress of the projects according to the time determined by resolutions of the board of directors of the Joint Ventures).

The parties agreed that Pingxiang Mining Industry Group shall acquire a 1% equity interest in the two Joint Ventures held by Risun Group within 3 months of phase 1 of the 1.8 million tonnes/year coking project and the 1,200 tonnes/day float glass project of the two Joint Ventures being completed and commencing production at an acquisition price not higher than the actual contribution by Risun Group for such 1% equity interest, with the particulars being subject to the equity transfer agreement between Pingxiang Mining Industry Group and Risun Group.

Sources of funding

Risun Group will inject the registered capital of the two Joint Ventures in installments with its internal resources, but is not expected to utilize the Company's proceeds from the global offering made in March 2019.

Construction of the projects Upon establishment, Pingxiang Risun Energy will invest in the construction of the 3.6 million tonnes/year coking project with an estimated total investment of RMB5 billion. Phase 1 of the project comprises a 1.8 million tonnes/year coking project with an estimated investment of RMB2.5 billion.

Upon establishment, Pingxiang Anyuan Glass will invest in the construction of the 1,200 tonnes/day float glass and further processed glass project with an estimated investment of RMB1 billion.

The construction content of the projects is subject to adjustments according to government approval, industrial policies and market conditions. The projects are yet to complete the relevant legal approval procedures including those for construction land, environmental protection and project establishment. The remaining funds for the projects will be financed by the two Joint Ventures in the form of loans. The parties shall provide limited liability guarantees pro rata to their shareholding percentages.

Board of directors The two Joint Ventures shall each have a board of directors which comprises five directors, of whom three shall be recommended by Risun Group, one shall be recommended by Pingxiang Mining Industry Group, and one shall be recommended by Wujo Light Industry and Chemicals Group. The chairman shall be a director recommended by Pingxiang Mining Industry Group, and the vice chairman shall be a director recommended by Risun Group. The legal representative shall be the general manager.

After Pingxiang Mining Industry Group acquires the 1% equity interest in the two Joint Ventures held by Risun Group, the number of directors recommended by the shareholders shall be adjusted accordingly, with Pingxiang Mining Industry Group recommending three directors and Risun Group and Wujo Light Industry and Chemicals Group each recommending one director. By then, the chairman shall serve as the legal representative.

| | |
|-----------------------|---|
| Supervisory committee | The two Joint Ventures shall each have a supervisory committee which comprises three supervisors, of whom one shall be recommended by Risun Group, one shall be recommended by Wujo Light Industry and Chemicals Group, and one shall be the staff representative supervisor. The chairman of the supervisory committee shall be a director recommended by Wujo Light Industry and Chemicals Group. |
| Management | <p>The two Joint Ventures shall each have a general manager, whom shall be recommended by Risun Group and be responsible for the construction of the projects and the daily operation management of the two Joint Ventures under the leadership of the board of directors. The two Joint Ventures shall each have one chief financial officer recommended by Pingxiang Mining Industry Group, one financial manager recommended by Risun Group, and one audit department manager recommended by Wujo Light Industry and Chemicals Group.</p> <p>Pingxiang Risun Energy shall have three deputy general managers, of whom two shall be recommended by Risun Group and one shall be recommended by Pingxiang Mining Industry Group.</p> <p>Pingxiang Anyuan Glass shall have three deputy managers and each shall be recommended by the parties respectively.</p> |
| Profit distribution | The parties agreed to distribute the after-tax profits of the two Joint Ventures pro rata to their shareholding percentages (if the shareholder has not paid up the subscription amount, the profits shall be distributed as per the actual contribution percentages) after covering losses and drawing the statutory surplus reserve. The profit distribution percentage shall not be lower than 60% of the accumulative distributable profits of each year. |

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|--|--|
| Operation management services | Risun Group provides Pingxiang Risun Energy with operation management, supply chain platform, information services and other support. The parties agreed that Pingxiang Risun Energy shall pay a certain fee to Risun Group, but the fee-charging standard shall not be higher than that of Risun Group's other park projects. If Pingxiang Risun Energy suffers a loss during a business year, Risun Group agrees to reduce the aforesaid fees. The particulars shall be subject to the relevant service agreements between Pingxiang Risun Energy and Risun Group. Where the above-mentioned operation management services of Risun Group do not play an effective role in the production and operation management of Pingxiang Risun Energy, Pingxiang Risun Energy may change or terminate the relevant service agreements pursuant to the provisions of the agreements. |
| Effectiveness of the Joint Venture Agreement | The Joint Venture Agreement shall take effect after being signed by the legal representatives or authorized representatives of the three parties and affixed with official seals. |

REASONS FOR AND BENEFITS OF ESTABLISHMENT OF THE JOINT VENTURES

1. Strategic Necessity of the Projects

The Group can leverage the opportunities arising from supply-side structural reforms as well as industrial transformation and upgrading of China's coking industry and tap into its influence as a global coking leader and its 25 years of leading experience in park planning, industry planning, device construction, technology exploration and innovation, operation and management, and smart manufacturing in the coking and coal chemical industries to select advantageous areas for deployment and expansion in the coking industry, create new areas of growth for the Group in the coking industry, and further consolidate its leading position and influence in the industry.

2. Jiangxi Province's Advantageous Location and Market Edge

Jiangxi Province is located in the middle and lower reaches of the Yangtze River in south-eastern China. It is one of the "six provinces and one city" in eastern China. With respect to coking, Jiangxi Province currently imports approximately 4 million tonnes of coke from outside the province. The Company expects that the Joint Ventures will be able to fill the gap in this area upon completion.

With respect to glass, Pingxiang Anyuan Glass needs to use coke oven gas as one of the main fuels in its production process. As the two Joint Ventures are built in adjacent locations, Pingxiang Risun Energy will directly supply the coke oven gas generated during its production of coke to Pingxiang Anyuan Glass through pipelines. Moreover,

the implementation of energy efficiency policies and regulations for buildings has driven the swift development of energy-efficient glass. Building energy consumption in China accounts for 30% of the total energy consumption in society. With the development of urbanization and the improvement in living standards, the share of building energy consumption will continue to increase and constitute the bulk of energy consumption in society. There is much room for green building. In addition, the rapid development of the automobile industry has forcefully driven the market's demand for premium sheet glass. China's total domestic automotive glass demand is expected to reach approximately 3 million tonnes in 2023. Furthermore, bifacial components using glass to replace the backplate of traditional components will drive the trend of adopting thin float glass for backplanes. In the long run, increase in the demand for bifacial modules will further increase the demand for photovoltaic glass, with extremely promising prospects and huge potential.

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 its shareholders as a whole.

INFORMATION ON PINGXIANG MINING INDUSTRY GROUP

Pingxiang Mining Industry Group is a company incorporated in the PRC with limited liability. It is mainly engaged in the production of glass, pipelines, mineral water, etc. in the PRC, as well as the provision of engineering consultancy services. Its controlling shareholder is Jiangxi Energy Group Co., Ltd. (江西省能源集團有限公司), which holds 100% of the equity interest in Pingxiang Mining Industry Group. Jiangxi Energy Group Co., Ltd. is mainly engaged in coal mining, coal treatment and processing, coal operations, development and utilization of coal bed methane, foreign trade operations, sales of mineral products, and investments in various industries. The controlling shareholder of Jiangxi Energy Group Co., Ltd. is Jiangxi Province Investment Group Co., Ltd. (江西省投資集團有限公司), which held 83.33% of its equity interest. Jiangxi Province Investment Group Co., Ltd. is a major enterprise in Jiangxi, the business scopes of which include electricity, coal, natural gas, construction materials, construction engineering, transportation and logistics, green environment and digital businesses. The company serves as an investment entity of Jiangxi government and a state-owned investment operation platform.

INFORMATION ON WUJO LIGHT INDUSTRY AND CHEMICALS GROUP

Wujo Light Industry and Chemicals Group is a company incorporated in the PRC with limited liability. It is a large private enterprise group integrating technology, industry, and trade, which extends across the industrial chain and develops in an integrated manner, with its comprehensive strength ranking second in the top 100 private enterprises in Hunan Province in the comprehensive category. Its de facto controller is Mr. Xiao Anjiang (肖安江), who holds 50% of the equity interest in Wujo Light Industry and Chemicals Group, the remaining 50% of equity interest is held by his elder brother, Mr. Xiao Zijiang (肖自江). Mr. Xiao Anjiang is the president of Hunan Wujo Light Industry and Chemicals Group Co., Ltd., a deputy to the

12th National People's Congress of the People's Republic of China, and a deputy of the 5th People's Congress of Loudi City. Mr. Xiao Zijiang was a deputy to the 11th National People's Congress of the People's Republic of China.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios are higher than 5% but lower than 25%, the transactions constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements but exempt from shareholders' approval requirements.

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

Hong Kong, November 23, 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 Yiping.