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If you have sold or transferred all your shares in China Risun Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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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 IN RELATION TO THE JOINT INVESTMENT AND
ESTABLISHMENT OF THREE JOINT VENTURES**

The Company has obtained written Shareholder's approval for the Transactions pursuant to Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be held to approve the Transactions pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

Capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 5 to 27 of this circular.

December 24, 2021

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DEFINITIONS

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

“Board” or “Board of Directors”	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)
“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 jointly invested in and established by Risun Investments, Tianjin Xintiangang and Stephanie Development in Indonesia
“De Tian 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 the establishment of De Tian Coking
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hainan Dongxin”	Hainan Dongxin Corporate Management Partnership (Limited Partnership) (海南東鑫企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on November 5, 2020
“Hainan Jinmancheng”	Hainan Jinmancheng Technology Investment Company Limited (海南金滿成科技投資有限公司), a company established in the PRC with limited liability on November 5, 2020 and a wholly-owned subsidiary of Nanjing Iron and Steel
“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

DEFINITIONS

“Indonesia”	the Republic of Indonesia
“Kinxiang Joint Venture Agreement”	the joint venture agreement entered into by Hainan Jinmancheng, Hainan Dongxin, New Era, Risun Investments and Shagang Coking on July 16, 2021 in relation to the establishment of KinXiang New Energy
“KinXiang New Energy”	PT. KinXiang New Energy Technologies Indonesia (印尼金祥新能源科技有限責任公司), a company jointly invested in and established by Hainan Jinmancheng, Hainan Dongxin, New Era, Risun Investments and Shagang Coking in Indonesia
“Latest Practicable Date”	December 15, 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Morowali Industrial Park” or “IMIP”	the Indonesia Morowali Industrial Park in Central Sulawesi, Indonesia
“Nanjing Iron and Steel”	Nanjing Iron and Steel Co., Ltd., a company limited by shares established in the PRC and the A shares of which are listed on the Shanghai Stock Exchange
“New Era”	New Era Development Pte. Ltd., a company incorporated in Singapore with limited liability on March 25, 2021
“Placing”	the placing of shares by the Company under general mandate in June 2021. For details, please refer to the announcements of the Company dated May 26, 2021 and June 3, 2021
“PRC” or “China”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong Special Administrative Region, Macau Special Administrative Region, and Taiwan Region
“Risun Global”	Risun Global Limited, a company established in Hong Kong with limited liability on July 19, 2013 and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Risun Global Investments”	Risun Global Investments (Hainan) Co., Ltd. (旭陽國際投資(海南)有限公司), a company established in the PRC with limited liability on June 11, 2021 and an indirect wholly-owned subsidiary of the Company
“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
“Risun Wei Shan”	Risun Wei Shan New Energy (Indonesia) Company Limited (旭陽偉山新能源(印尼)有限公司) (temporary name, subject to official name upon corporate registration), a company jointly invested in and established by Risun Global Investments, Risun Global, Zoomwe Hong Kong and Dawn International
“Risun Wei Shan Joint Venture Agreement”	the Joint Venture Agreement entered into by Risun Global Investments and Risun Global with Zoomwe Hong Kong and Dawn International on July 15, 2021 in relation to the establishment of Risun Wei Shan
“RMB”	Renminbi, the lawful currency of the PRC
“Shagang Coking”	Jiangsu Shagang Coking Investment Company Limited (江蘇沙鋼煤焦投資有限公司), a company established in the PRC with limited liability on August 12, 2011
“Share(s)”	the ordinary shares of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stephanie Development”	Stephanie Development Pte. Ltd., a company established in Singapore with limited liability on March 25, 2021
“Texson”	Texson Limited (泰克森有限公司), a company incorporated in the BVI on February 19, 2004 and wholly-owned by Mr. Yang Xuegang, the chairman of the Board and one of the controlling shareholders of the Company
“Three Joint Ventures”	De Tian Coking, Risun Wei Shan and KinXiang New Energy

DEFINITIONS

“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
“Transactions”	the establishment of the Three Joint Ventures
“%”	percent

In this circular, unless the context otherwise requires, the terms “associate(s)”, “connected person(s)”, “subsidiary(ies)” and “controlling shareholder(s)” shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

In this circular, the English names of the PRC entities are translation of their Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Yang Xuegang

(Chairman and Chief Executive Officer)

Mr. Zhang Yingwei

Mr. Han Qinliang

Mr. Wang Fengshan

Mr. Wang Nianping

Mr. Yang Lu

Independent Non-executive Directors:

Mr. Kang Woon

Mr. Yu Kwok Kuen Harry

Mr. Wang Yinping

Registered Office:

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

Principal Place of Business

in Hong Kong:

Room 2001, 20/F, Sino Plaza

255 Gloucester Road

Causeway Bay

Hong Kong

December 24, 2021

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO THE JOINT INVESTMENT AND
ESTABLISHMENT OF THREE JOINT VENTURES**

1. INTRODUCTION

References are made to the announcements of the Company dated June 30, 2021, July 16, 2021 and November 12, 2021 in relation to the establishment of the Three Joint Ventures.

The purpose of this circular is to provide the Shareholders with information in respect of the Transactions and other information required by the Listing Rules.

LETTER FROM THE BOARD

2. THE TRANSACTIONS

(a) Joint Investment and Establishment of De Tian Coking

Risun Investments entered into the De Tian Joint Venture Agreement with Tianjin Xintiangang and Stephanie Development on June 30, 2021, 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 De Tian Coking. In addition, Risun Investments may also provide shareholder loan in an amount up to 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 accounted for as a joint venture of the Group.

The salient terms of the De Tian Joint Venture Agreement are as follows:

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 Latest Practicable Date, Tianjin Xintiangang and Stephanie Development and their respective ultimate beneficial owner(s) are Independent Third Parties.

Capital injection Each party will subscribe for and make contribution to De Tian Coking according to the De Tian 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	248.00	100%	

LETTER FROM THE BOARD

Within 15 business days following the establishment of the De Tian Coking 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 De Tian Coking in proportion to their respective shareholding percentages. Within 15 business days after the establishment of De Tian Coking, 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 De Tian Coking 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 De Tian Coking.

Risun Investments will make payment for the capital contribution to De Tian Coking in installments with internal resources, including the proceeds from the Placing, and/or loan facilities.

Business scope	De Tian Coking 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.
Investment in the ancillary coking project	<p>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:</p> <p>(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 De Tian Coking with their own funds;</p>

LETTER FROM THE BOARD

- (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 De Tian Coking shall provide guarantee in proportion to their respective shareholding percentages according to the requirements of any project finances. If De Tian Coking 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 eight years, and there will be no repayment of principal in the first two 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

The general meeting comprising all shareholders of De Tian Coking shall be the highest authority of De Tian Coking. 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 De Tian Coking 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.

LETTER FROM THE BOARD

Board of directors	The board of directors of De Tian Coking shall comprise five directors, of whom three shall be nominated by Tianjin Xintiangang and one shall be nominated by each of Stephanie Development and Risun Investments. The chairman shall be one of the directors nominated by Tianjin Xintiangang.
Board of supervisors	The board of supervisors of De Tian Coking shall comprise three supervisors and each party shall appoint one supervisor. The chairman of the board of supervisors shall be the supervisor to be appointed by Stephanie Development.
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 De Tian Coking as follows:</p> <ol style="list-style-type: none">(1) one general manager, a role to be concurrently taken up by the chairman of the board of directors, responsible for project construction and operation of De Tian Coking under the leadership of the board of directors.(2) one vice general manager of finance to be nominated by Tianjin Xintiangang and appointed by the board of directors.(3) one 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 De Tian Coking shall be jointly approved by the vice general manager of finance as well as the finance manager.(4) one 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.

LETTER FROM THE BOARD

- (5) one 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 De Tian Coking.
- (6) one 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) one vice general manager of supply and sales to be nominated by Tianjin Xintiangang and appointed by the board of directors to be responsible for De Tian Coking's supply and sales matters.
- (8) one 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) one financing controller to be nominated by Tianjin Xintiangang and appointed by the board of directors to be responsible for De Tian Coking's financing matters.

Profit distribution	De Tian Coking 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.
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Effectiveness of the De Tian Joint Venture Agreement	The De Tian 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 De Tian Joint Venture Agreement.
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LETTER FROM THE BOARD

Any party(ies) in breach of any obligation stipulated thereunder shall be liable to indemnify De Tian Coking and the abiding party(ies) from and against any loss incurred due to its breach.

(b) Joint Investment and Establishment of Risun Wei Shan

Risun Global Investments and Risun Global (wholly-owned subsidiaries of the Company) entered into the Risun Wei Shan Joint Venture Agreement with Zoomwe Hong Kong and Dawn International on July 15, 2021. Pursuant to the Risun Wei Shan Joint Venture Agreement, the parties have agreed to jointly establish, by way of capital injection, Risun Wei Shan for the investment in the construction of a coking project (with an annual production capacity of 4.8 million tonnes) in the Morowali Industrial Park and Risun Global Investments and Risun Global will subscribe for US\$115.92 million and US\$12.60 million, respectively, representing 46% and 5%, respectively, of the registered capital of Risun Wei Shan. In addition, Risun Global Investments and Risun Global may also provide shareholder loans in an amount of up to approximately US\$538 million to Risun Wei Shan if Risun Wei Shan is not able to obtain external project financing. Upon its establishment, Risun Wei Shan will be accounted for as a joint venture of the Group, as there are several reserved matters, including but not limited to purchase, sale and lease of land, appointment and removal of senior management, and disposal of assets and procurement of fixed assets or raw materials with transaction amount over US\$5 million, to be passed unanimously by the board of Risun Wei Shan and the Group will not have full control of the board of Risun Wei Shan.

The salient terms of the Risun Wei Shan Joint Venture Agreement are as follows:

Date	July 15, 2021 (after trading hours)
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Parties	(i) Risun Global Investments;
	(ii) Risun Global;
	(iii) Zoomwe Hong Kong; and
	(iv) Dawn International.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, Zoomwe Hong Kong and Dawn International and their respective ultimate beneficial owner(s) are Independent Third Parties.

LETTER FROM THE BOARD

Capital injection Within 15 business days following the opening of the bank account of Risun Wei Shan, the parties shall inject capital totaling US\$3.7 million to Risun Wei Shan in proportion to their respective shareholding percentages according to the Risun Wei Shan Joint Venture Agreement. The parties shall make additional contribution to the authorized capital in proportion to their respective shareholding percentages up to such amount not exceeding 30% of the total investment (i.e. US\$252 million) of the project, subject to the passing of a resolution by a general meeting. The additional authorized capital shall be paid by the parties to the Risun Wei Shan Joint Venture Agreement according to the capital requirement of the project and at such amounts and on such terms as stipulated in the payment notice issued by the board of directors of Risun Wei Shan. Each party will subscribe for and make contribution to Risun Wei Shan as follows:

Investing parties	Subscribed contribution (US\$ million)	Shareholding percentage (%)	Method of contribution
Risun Global			
Investments	115.92	46%	Cash contribution
Risun Global	12.6	5%	Cash contribution
Dawn International	75.60	30%	Cash contribution
Zoomwe Hong Kong	47.88	19%	Cash contribution
Total	252.00	100%	

The Group will make payment for the capital contribution to Risun Wei Shan in installments with internal resources, including the proceeds from the Placing, and/or loan facilities.

**Business scope of
Risun Wei Shan**

Risun Wei Shan will be engaged in the following:

- (i) the industrial production and sale of coke products;
- (ii) the sale of by-products of its production process; and
- (iii) trading.

The detailed business scope shall be subject to registration with the relevant companies registry in Indonesia.

LETTER FROM THE BOARD

Investment in
coking project

The project will have a total investment of approximately US\$840 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\$252 million) shall be funded by the shareholders by way of capital injection in proportion to their respective shareholding percentages in Risun Wei Shan with their own funds;
- (2) 70% of the total investment (i.e. US\$588 million) shall be funded by project financings from financial institutions. As Risun Wei Shan will be a joint venture of the Group, 8.5% of the fund (approximately US\$50 million) will be paid as project quality deposit after the inspection and acceptance of the project by Risun Wei Shan, instead of being borne by the Group.

The parties to Risun Wei Shan shall provide guarantee in proportion to their respective shareholding percentages according to the requirements of any project finances. If Risun Wei Shan is unable to obtain funding through project financings from financial institutions, the shortfall will be financed by shareholder loans from Risun Global Investments and Risun Global, and the aggregate principal amount of the shareholder loans committed by Risun Global Investments and Risun Global shall be no more than US\$538 million. The annualized interest rates of the shareholder loans shall be limited to not exceeding 6% with a term of no less than eight years, and there will be no repayment of principal in the first two years. If the project financings from financial institutions are obtained during the term of the shareholder loans, the shareholder loans of the same amount shall be replaced and repaid to Risun Global Investments and Risun Global upon receipt of such financings.

LETTER FROM THE BOARD

General meeting	<p>The general meeting comprising all shareholders of Risun Wei Shan shall be the highest authority of Risun Wei Shan. General meetings shall only be convened in the presence of shareholders representing in aggregate over eighty-five percent of the 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 half of the voting rights or their proxies. Pursuant to the Risun Wei Shan Joint Venture Agreement, certain reserved 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 shareholders representing over eighty-five percent of all voting rights. Except for the reserved matters, other resolutions shall be subject to the approval of shareholders representing over fifty percent of the voting rights or their proxies.</p>
Board of directors	<p>The board of directors of Risun Wei Shan shall comprise five directors, of whom three shall be nominated by Risun Global Investments and one shall be nominated by each of Dawn International and Zoomwe Hong Kong. The chairman shall be one of the directors nominated by Risun Global Investments. Except for the reserved matters, resolutions may also be passed by over half of the directors present at a board meeting. Reserved matters, including but not limited to any investment reaching a threshold amount, any land acquisition and the engagement of the senior management of Risun Wei Shan, shall be subject to the unanimous approval of all directors.</p>
Board of supervisors	<p>The board of supervisors of Risun Wei Shan shall comprise three supervisors, and Risun Global Investments, Dawn International and Zoomwe Hong Kong shall each appoint one supervisor. The chairman of the board of supervisors shall be the supervisor nominated by Dawn International.</p>
Management	<p>The senior management, including one general manager, five vice general managers, one chief financial officer, one financial manager and one financial officer, of Risun Wei Shan shall be appointed or dismissed with reference to the recommendations of the parties to Risun Wei Shan as follows:</p> <p>(1) one general manager to be nominated by Risun Global Investments and to be appointed and dismissed upon the approval of the board of directors.</p>

LETTER FROM THE BOARD

- (2) five vice general managers, of which three shall be nominated by Risun Global Investments, one shall be nominated by Zoomwe Hong Kong and one shall be nominated by Dawn International, and all five shall be appointed and dismissed upon the approval of the board of directors.
- (3) one chief financial officer to be nominated by Risun Global Investments and to be appointed and dismissed upon the approval of the board of directors.
- (4) one financial manager to be nominated by Dawn International and to be appointed and dismissed upon the approval of the board of directors.
- (5) one financial officer to be nominated by Zoomwe Hong Kong and to be appointed and dismissed upon the approval of the board of directors.

Sale of products

Coke oven gas produced by Risun Wei Shan shall be sold to IMIP and/or other enterprises in IMIP at a price to be calculated in accordance with the formula approved by all parties. Risun Wei Shan shall be responsible for the external sale of its products at the market price. In particular, the shareholders shall have the right of priority to buy such products in proportion to their respective shareholding percentages in Risun Wei Shan at the aforementioned market price, provided that the same price is offered by others.

Profit distribution

Risun Wei Shan 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.

LETTER FROM THE BOARD

Effectiveness of the Risun Wei Shan Joint Venture Agreement	The Risun Wei Shan 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 Risun Wei Shan Joint Venture Agreement.
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Any party(ies) in breach of any obligation stipulated thereunder shall be liable to indemnify Risun Wei Shan and the abiding party(ies) from and against any loss incurred due to its breach.

(c) Joint Investment and Establishment of KinXiang New Energy

Risun Investments, Hainan Jinmancheng, Hainan Dongxin, New Era and Shagang Coking entered into the Kinxiang Joint Venture Agreement on July 16, 2021, pursuant to which the parties shall jointly establish, by way of capital injection, KinXiang New Energy, which will invest in the construction of a coking project (with an annual production volume of 3.9 million tonnes) in Morowali Industrial Park in Central Sulawesi, Indonesia. Risun Investments will subscribe for US\$200,000 of the authorized capital of KinXiang New Energy, representing 20% of the shareholding interest therein. In addition, Risun Investments may also provide shareholder's loan in an amount of up to approximately US\$84 million to KinXiang New Energy if KinXiang New Energy is not able to obtain external financing for the project. Upon its establishment, KinXiang New Energy will be accounted for as an associate of the Group, since the Group will have significant influence on the shareholders' meeting and the board of KinXiang New Energy.

The salient terms of the Kinxiang Joint Venture Agreement are as follows:

Parties	(i) Hainan Jinmancheng;
	(ii) New Era;
	(iii) Hainan Dongxin;
	(iv) Risun Investments; and
	(v) Shagang Coking.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, Hainan Jinmancheng, New Era, Hainan Dongxin and Shagang Coking and their respective ultimate beneficial owner(s) are Independent Third Parties.

Description of the
Investment
project

KinXiang New Energy will invest in and develop a coking project in Morowali Industrial Park, Indonesia, with an annual production volume of 3.9 million tonnes. The proposed business activities of KinXiang New Energy will principally include the production, sale and trading of coke (including semi coke) products and their by-products.

KinXiang New Energy will use the roads, terminals and other infrastructure in, and purchase land for the project from, Morowali Industrial Park at the same time. If KinXiang New Energy fails to enter into any agreement with Morowali Industrial Park for the purchase of land, the parties shall be entitled to terminate the Kinxiang Joint Venture Agreement without any liability.

LETTER FROM THE BOARD

Project finance

The proposed investment project will have a total investment of approximately US\$545 million, including the construction costs, interest incurred during the construction and the required working capital of the project. The exact total investment amount shall be subject to the amount stated in the feasibility report unanimously confirmed by the parties. In particular:

(1) 40% of the total investment (i.e. approximately US\$218 million) shall be funded by the shareholders by means of capital injection in proportion to their respective shareholding percentages in KinXiang New Energy with their own funds, including:

- US\$1 million to be paid and injected by the parties to KinXiang New Energy in cash in United States dollars as the authorized capital of KinXiang New Energy according to the payment notices to be issued by the board of directors of KinXiang New Energy and the law of Indonesia upon the establishment of KinXiang New Energy. In particular:

Investing parties	Subscribed contribution (US\$ thousand)	Shareholding percentage (%)	Method of contribution
Hainan Jinmancheng	510	51%	Monetary contribution
New Era	200	20%	Monetary contribution
Hainan Dongxin	20	2%	Monetary contribution
Risun Investments	200	20%	Monetary contribution
Shagang Coking	70	7%	Monetary contribution
Total	<u>1,000</u>	<u>100%</u>	

- Afterwards, the parties shall increase the authorized capital to no more than 40% of the total investment of the proposed investment project in proportion to their respective shareholding percentages as resolved by voting by the general meeting of KinXiang New Energy. The increased authorized capital shall be paid in accordance with the funding requirements and progress of the proposed investment project.

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(2) 60% of the total investment (i.e. approximately US\$327 million) shall be financed through project loans.

- The parties to KinXiang New Energy shall cooperate fully with and provide guarantee in their respective proportions in favor of any financiers of the project.
- If 60% of the total investment of the project cannot be covered by project loans in full or at all, three shareholders, namely Hainan Jinmancheng, Risun Investments and Shagang Coking, shall provide such funds to KinXiang New Energy by means of shareholder's loans at a ratio of 51:20:7. The interest rates of the shareholder's loans shall be limited to below 1-year United States dollar LIBOR+400 BP.
- The working capital of the proposed investment project during its operation shall be financed through bank loans to be borrowed by KinXiang New Energy under the lead of Hainan Jinmancheng. All parties to the agreement shall cooperate fully with Hainan Jinmancheng. If the working capital of KinXiang New Energy cannot be financed by bank loans in full or at all, four shareholders, namely Hainan Jinmancheng, New Era, Risun Investments and Shagang Coking, shall provide such funds to KinXiang New Energy by means of shareholder's loans at a ratio of 51:20:20:7. The interest rates of the shareholder's loans shall be limited to below 1-year United States dollar LIBOR+400 BP.

Pursuant to the aforementioned arrangement, it is expected that Risun Investments will inject approximately US\$43.6 million in aggregate and commit shareholder's loans of up to US\$84 million in aggregate to KinXiang New Energy. The Group intends to finance such payments by its internal resources, including the proceeds from the Placing, and/or loan facilities.

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Distributorship and sale of products	<p>To secure the sale of the products of, and realize revenue for, KinXiang New Energy, the parties agreed that Shagang Coking or its related parties shall have the right of priority to purchase up to 1.5 million tonnes of coke every year at the then prevailing market prices and on the then prevailing conditions according to the actual annual production volume of KinXiang New Energy. Hainan Jinmancheng, New Era, Risun Investments or their respective related parties shall then have the right of priority to purchase the remaining products at the then prevailing market prices and on the then prevailing conditions at a ratio of 51:20:20.</p>
General meeting	<p>The general meeting comprising all shareholders of KinXiang New Energy shall be the highest authority of KinXiang New Energy. In principle, general meetings shall only be convened in the presence of shareholders representing in aggregate over two-third of all voting rights or their proxies, provided that New Era shall be present at the meeting. Pursuant to the Kinxiang Joint Venture Agreement, certain major matters, including but not limited to any guarantee, financing or investment proposal reaching a certain threshold amount, as well as any distribution of profit in an amount of less than 50% of the accumulated distributable profits for the year, shall be subject to approval of the shareholders representing two-third of all voting rights and New Era being present at the meeting.</p>
Board of directors	<p>The board of directors of KinXiang New Energy shall comprise five directors, of whom three shall be nominated by Hainan Jinmancheng and one shall be nominated by each of New Era and Risun Investments. The chairman shall be one of the directors nominated by Hainan Jinmancheng.</p> <p>Except for the reserved matters stipulated in the Kinxiang Joint Venture Agreement, the resolutions of the board of directors can be passed by a simple majority of all directors. Reserved matters (including but not limited to disposal of assets and connected transactions reaching a certain threshold amount) shall be subject to the approval of the director nominated by New Era in addition to the foregoing.</p>

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Board of supervisors	The board of supervisors of KinXiang New Energy shall comprise five supervisors, of whom three shall be nominated by Hainan Jinmanchen and one shall be nominated by each of New Era and Shagang Coking. The chairman of the board of supervisors shall be one of the supervisors nominated by Hainan Jinmancheng.
Management	KinXiang New Energy shall have one general manager to be nominated by Hainan Jinmancheng; one vice general manager to be nominated by Risun Investments; one financial controller to be nominated by Hainan Jinmancheng; and one financial manager to be nominated by New Era.
Profit distribution	KinXiang New Energy's annual net profits after payment of income tax shall be distributable upon appropriations for surplus reserve, corporate development fund, staff reward and welfare fund and necessary working capital of KinXiang New Energy, and remedy of losses of the previous accounting year. Such profits shall be distributed in proportion to the paid-in capital contributions. The profit payout ratio shall be no less than 50% of the accumulated distributable profits for the year.
Term of KinXiang New Energy	Unless otherwise extended or shortened pursuant to the Kinxiang Joint Venture Agreement, the term of KinXiang New Energy shall be 50 years after the date of its establishment.
Effectiveness of the Kinxiang Joint Venture Agreement	<p>The Kinxiang Joint Venture Agreement shall be effective upon signing by the legal representative or authorized representative of each party and affixing their respective corporate seals onto it.</p> <p>Any party in breach of any obligation stipulated under the Kinxiang Joint Venture Agreement shall be liable to indemnify KinXiang New Energy and the abiding party(ies) from and against any loss incurred due to its breach.</p>

(d) Reasons for and Benefits of the Transactions

(i) Globalization Strategy of the Group

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. In view of the current domestic and overseas economic conditions, the Group aims at expanding the production scale of the existing coke product portfolio and conducting the research and development of

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new refined chemical products in 2021. More importantly, the Group expects to further reinforce its leadership position as an independent producer and supplier of coke through the Transactions.

As most of the Group's production bases are located in the PRC, the Transactions will allow the Group to establish new production bases in Indonesia with renowned industry leaders in steel, iron, ferrous metals, and to achieve mutual benefits, thereby going overseas for the first time. Under the current business development plan of the Group and in accordance with the respective joint venture agreements, (i) De Tian Coking will invest in and construct a coking project with an annual volume of 4.7 million tonnes in the IMIP, which will be led by Tianjin Xintiangang; (ii) Risun Wei Shan will invest in and construct a coking project with an annual production capacity of 4.8 million tonnes in the IMIP, which will be led by the Group; and (iii) KinXiang New Energy will invest in and construct a coking project with an annual production capacity of 3.9 million tonnes in IMIP, which will be led by Hainan Jinmancheng.

(ii) Geographical Advantage and Market Edge of IMIP

Indonesia is the largest country in Southeast Asia in terms of area, population and gross domestic product. Located at Bahodopi, Morowali Regency, Central Sulawesi Province, IMIP 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). It enjoys an advantage in terms of the supply of coking materials and is suitable for the development of coking projects with its stable supply of coal and sales channel for coke. In addition, IMIP 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 IMIP.

(iii) Overseas Sales Market of the Three Joint Ventures

The products manufactured by the Three Joint Ventures will be sold not only in the PRC, but also to IMIP and/or other enterprises in IMIP. Pursuant to the respective joint venture agreements, (i) the majority of the coke products manufactured by De Tian Coking will be sold to Tianjin Xintiangang in the PRC, which will provide a sales channel for coke products; (ii) the coke products manufactured by Risun Wei Shan will be sold to both customers in the PRC market, the IMIP and enterprises located within the IMIP; and (iii) the products manufactured by KinXiang New Energy will be sold to its shareholders in accordance with the Kinxiang Joint Venture Agreement. With a geographically closer market, the sales can be made more directly and speedier, and the capital recovery in relation to the production, sale and supply of products will accelerate, which will increase the Group's investment returns.

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Based on the above reasons, the Board is of the view that the terms of the Transactions are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the shareholders as a whole.

(e) Implications under the Listing Rules

Although one or more percentage ratio(s) of the Transactions on a stand-alone basis will exceed 5% but be less than 25%, the Transactions will constitute a major transaction of the Company when aggregated with the establishment of De Tian Coking and Risun Wei Shan and be subject to the reporting, announcement 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, none of the Shareholders or any of their respective associates has any material interests in the Three Joint Ventures. As such, no Shareholder is required to abstain from voting on the resolutions approving the Three Joint Ventures if the Company were to convene a general meeting for the approval thereof. As at the Latest Practicable Date, Texson directly holds 76.19% of the total issued share capital of the Company. The Company has obtained written Shareholders' approval from Texson in lieu of holding a general meeting for the Shareholders' approval of the Transactions pursuant to Rule 14.44 of the Listing Rules.

(f) Financial effects of the establishment of the Three Joint Ventures

Upon the establishment of the Three Joint Ventures, De Tian Coking and Risun Wei Shan will be accounted for as joint ventures of the Group and KinXiang New Energy will be accounted for as an associate of the Group. Thus, the investments in the Three Joint Ventures and the financial results of them will be accounted for by equity method into the consolidated financial statements of the Company. In particular, despite the Group will hold in aggregate 51% shareholdings in Risun Wei Shan, it will still, including but not limited to purchase, sale and lease of land, appointment and removal of senior management, and disposal of assets and procurement of fixed assets or raw materials with transaction amount over US\$5 million, be accounted for as a joint venture of the Company as there are several reserved matters, including but not limited to purchase, sale and lease of land, appointment and removal of senior management, and disposal of assets and procurement of fixed assets or raw materials with transaction amount over US\$5 million, to be passed by the board of Risun Wei Shan and the Group will not have full control of the board of Risun Wei Shan. Furthermore, KinXiang New Energy will be accounted for as an associate of the Group since the Group will have significant influence on the shareholders' meeting and the board of KinXiang New Energy.

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Upon establishment of the Three Joint Ventures and assuming the capital injection is made in full by the bank balances and cash in accordance with the joint venture agreements, the amount of total assets of the Group will remain unchanged as there would be a decrease of approximately US\$231.6 million in the bank balances and cash and a same amount of interests in joint ventures and interests in associate will be recognized in the Group's consolidated statement of financial position.

In addition, if the Group is required to provide shareholder loans to the Three Joint Ventures, which in aggregate is expected to be of an amount of no more than US\$907.0 million, the amount of shareholder loans will be recognized as amount due from related parties and thus increase the total assets of the Group. However, at the same time, depending on the source of funding of such shareholder loans, the total assets may decrease if the shareholder loans are funded by the bank balances and cash of the Group, or the total liabilities may increase if the shareholder loans are funded by loans of the Group obtained from financial institution which in turn will be recognized as bank and other loans in the Group's consolidated statement of financial position.

The working capital of the Group will decrease by the actual capital commitment in the Three Joint Ventures to be contributed by the Group. If the proposed projects of the Three Joint Ventures are to be completed as planned and without any material adverse change in the market conditions, the Directors expect that the establishment and operations of the Three Joint Ventures will enhance the earnings from the coke and coking chemicals business segment of the Group in the long run.

(g) General Information on the Parties

Information on the Group

Risun Investments, Risun Global Investments and Risun Global are 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

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Tianjin Xintiangang is Mr. Ding Liguo (丁立國). Mr. Ding was a delegate of the Eleventh National People's Congress of the PRC.

Information on Zoomwe Hong Kong

Zoomwe Hong Kong, a company incorporated in Hong Kong with limited liability, is wholly-owned by Hunan Runrong Industry & Trade Co., Ltd. (湖南潤融工業有限公司), which in turn is owned as to 5% by Deng Weiming (鄧偉明) and 95% by Hunan Zoomwe Group Co., Ltd. (湖南中偉控股集團有限公司) (“CNGR”). CNGR is owned as to 65% by Deng Weiming (鄧偉明) and 35% by Wu Xiaoge (吳小歌). CNGR strives to become a prestigious and sustainable hi-tech group of companies. After over 20 years of development, it has established a business structure that focuses on the synergies between, among other things, the new energy industry chain and smart manufacturing. CNGR aims at gradually realizing its globalization strategy through an offshore business platform, namely Zoomwe Hong Kong, as its ultimate investors. To the best of the knowledge of the Directors having made all reasonable enquiries, Zoomwe Hong Kong and its ultimate beneficial owner(s) are Independent Third Parties.

Information on Shagang Coking

Shagang Coking, a company incorporated in the PRC with limited liability, is wholly-owned by Jiangsu Shagang Group Co., Ltd. (江蘇沙鋼集團有限公司) (“Shagang Group”), which is principally engaged in the smelting of ferrous metals as well as the production and sale of rolled, processed high-quality and special steel. Shen Wenrong (沈文榮) has effective control over approximately 74.7% interest in Shagang Group through direct shareholdings of 29.32% in Shagang Group and indirect shareholdings of 45.38% in Shagang Group held by certain companies controlled by him.

Information on Hainan Jinmancheng

Hainan Jinmancheng, a company incorporated in the PRC with limited liability, is wholly-owned by Nanjing Iron and Steel, which is a company listed on the Shanghai Stock Exchange. As a leading, high-efficiency and one-stop integrated iron and steel production enterprise with an annual production capacity of 10 million tonnes of crude steel that complies with the regulations imposed by the Ministry of Industry and Information Technology on the iron and steel industry, Nanjing Iron and Steel strives for industrial development and value-growth by fostering an industry chain and ecosystem that focuses on turning iron and steel into new materials and facilitates mutual empowerment and collective growth. It is effectively controlled by Guo Guangchang (郭廣昌), who holds as to 56.84% through Nanjing Nangang Iron & Steel United Co., Ltd.

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Information on Hainan Dongxin

Hainan Dongxin is a limited partnership incorporated by Wang Xinhai (王鑫海), Gu Yechun (顧葉春) and Wu Weidong (吳衛東) (as limited partners) and Nanjing Jinyu Corporate Management Company Limited (南京金鈺企業管理有限公司) (as a general partner ultimately and beneficially owned by Wang Xinhai, Gu Yechun and Wu Weidong) in the PRC. Its principal businesses include corporate management, project planning and public relation services, and information consultation services.

Information on Stephanie Development, New Era and Dawn International

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.

New Era, a company incorporated in Singapore with limited liability, is principally engaged in various businesses, including the management of investment projects.

Dawn International, a company incorporated in Singapore with limited liability, is principally engaged in the management of investment projects.

The roles and responsibilities of Stephanie Development, New Era and Dawn International are similar, mainly including:

- (a) to coordinate the communication between the Three Joint Ventures and relevant governmental departments in Indonesia and assist in handling relevant applications for approvals in Indonesia for business registration, construction, land acquisition, employment visas and import customs clearance;
- (b) to assist the Three Joint Ventures to enter into agreements for permits to use the infrastructure facilities in IMIP, such as roads, docks and other public utilities and facilities, on a non-discrimination basis; and
- (c) to assist the Three Joint Ventures to purchase land resources from IMIP.

Based on all reasonable enquiries made by the Directors, Stephanie Development, New Era and Dawn International are all ultimately and beneficially owned by Ms. Xiang Yangyang (項陽陽), who is a business-woman and is engaged in project development and investment in Indonesia (including IMIP) and other countries, and who is a family member of the ultimate controller of IMIP.

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3. FURTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully
By order of the Board
China Risun Group Limited
Mr. Yang Xuegang
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended December 31, 2018, 2019 and 2020 and for the six months ended June 30, 2021 are set out in the Company's 2018, 2019 and 2020 annual reports and the 2021 interim report.

Quick links to the annual reports and interim report of the Company are set out below:

- annual report of the Company for the year ended December 31, 2018 (refer to pages 129 to 274):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltn20190430848.pdf>
(English version)

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltn20190430849_c.pdf
(Chinese version)

- annual report of the Company for the year ended December 31, 2019 (refer to pages 138 to 294):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0512/2020051200405.pdf>
(English version)

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0512/2020051200406_c.pdf
(Chinese version)

- annual report of the Company the year ended December 31, 2020 (refer to pages from 131 to 282):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042101627.pdf>
(English version)

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042101628_c.pdf
(Chinese version)

- Interim report of the Company for the six months ended June 30, 2021 (refer to pages from 33 to 60):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0930/2021093000313.pdf>
(English version)

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0930/2021093000314_c.pdf
(Chinese version)

2. INDEBTEDNESS

2.1 Borrowings

At the close of business on October 31, 2021, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining the information contained in this indebtedness statement, the total outstanding bank and other loans of the Group were approximately RMB15,330 million, details of which are set out below:

	As of October 31, 2021
	<i>RMB in million</i>
	(Unaudited)
Bank loans	
Secured and guaranteed	3,690
Secured and unguaranteed	511
Unsecured and guaranteed	4,388
Other loans	
Secured and guaranteed	2,214
Secured and unguaranteed	31
Unsecured and guaranteed	2,901
Unsecured and unguaranteed	60
Discounted bills financing – secured and unguaranteed	1,535
	<u>15,330</u>

As of October 31, 2021, the bank loans and other loans of approximately RMB4,201 million and RMB2,245 million, respectively, were secured by property, plant and equipment, leasehold land, inventories, trade receivables or restricted bank deposits which were owned by the Group. Discounted bills financing of approximately RMB1,535 million were secured by bank acceptance bills.

As of October 31, 2021, bank loans and other loans of RMB8,078 million and RMB5,115 million, respectively, were guaranteed, and the remaining bank loans, other loans and discounted bills financing were unguaranteed.

2.2 Lease obligation

At the close of business on October 31, 2021, the Group, as a lessee, has outstanding unpaid contractual lease payments for the remainder of the relevant lease terms amounting to approximately RMB283 million, which are neither secured nor guaranteed.

2.3 Guarantees and contingent liabilities

At the close of business on October 31, 2021, the Group had provided guarantees to certain banks and licensed finance companies relating to loan facilities granted to certain joint ventures of the Group, the outstanding balance of bank and other loans under these guarantees was RMB793 million.

At the close of business on October 31, 2021, a subsidiary of the Group is undergoing an arbitration with a contractor in respect of the services provided to one of its subsidiaries prior to May 2020. According to the analysis and opinion of the independent lawyer, the probable claim of the arbitration for the Group was approximately RMB140 million as at October 31, 2021. The Directors have made an additional provision of RMB7 million for this arbitration based on the trade payables of RMB133 million recognised arising from the ordinary course of business as of October 31, 2021.

Save as aforesaid and apart from intra-group liabilities and normal trade and bills payables in the ordinary course of the business, as of October 31, 2021, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, recognised lease liabilities, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

After taking into account the resources currently available to the Group, including internally generated funds, external borrowings and the currently available banking facilities, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements for the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's vertically integrated business model and its experience of almost 26 years in the coal chemicals industry production chain allow the Group to tap into the downstream refined chemicals markets. With an aim of strengthening its leading position as a global coke and refined chemicals producer and supplier, the Group will make use of the establishment of new subsidiaries/joint ventures, acquisition of existing coke and refined chemicals producers, together with provision of operation management services to third parties, to achieve its aim.

Coke and refined chemicals

Looking forward to 2021, the coke industry will continue the supply-demand reform and the Group will continue to increase the market share in independent coke market and certain refined chemicals market by upgrading the coke production capacity of its existing production bases and expanding its operation management services together with merger and acquisition (including forming joint ventures). The Group's joint venture in Inner

Mongolia Hohhot is undergoing the expansion of coke production facilities with annual production volume of 3.6 million tonnes and it is expected to commence its commercial production in second half of 2022. It is expected that the Three Joint Ventures will commence full commercial productions no later than first half of 2023.

The Group will also enhance the production capacity of refined chemicals facilities. Apart from the commencement of annual production capacity of 300,000 tonnes of styrene in October 2020, the Group is now expanding the production capacity of caprolactam in Hebei and Shandong Provinces, the PRC. The Group is further refining and developing the new refined materials such as nylon and polystyrene, since the usage of these refined chemicals at end-customer side is increasing and their high value will be released by continuous refining.

Hydrogen

Apart from Hebei Dingzhou, the Group plans to participate actively into the hydrogen industrialization plan in Inner Mongolia Hohhot and Hebei Xingtai, two hydrogen energy demonstration cities in the PRC. The Group aims at creating a clean and low-carbon hydrogen energy supplier. Focusing on the rapid development of hydrogen energy industry in Beijing-Tianjin-Hebei area, the Group is committed to develop from production, storage, transportation, hydrogenation to usage together with radiation of intelligent supply of hydrogen to the whole country with advanced technology and more customer-oriented services.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

(a) Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of the Securities and Futures Ordinance) which were required to be recorded in the register referred to in section 352 of the Securities and Futures Ordinance, or which were required to be notified to the Company and the Stock Exchange (including interests and short positions which they were deemed or taken to have under provisions of the Securities and Futures Ordinance) pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance or the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules were as follows:

Name	Capacity/nature of interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Director			
Mr. Yang Xuegang ⁽¹⁾	Interest in controlled corporation	3,122,414,928 (L)	70.32%
Mr. Han Qinliang	Beneficial owner	300,000 (L)	0.01%
Mr. Wang Fengshan	Beneficial owner	432,000 (L)	0.01%
Mr. Yang Lu	Beneficial owner	1,360,000 (L)	0.03%

(L) denotes long positions

Note:

1. Texson is wholly-owned by Mr. Yang Xuegang. Accordingly, Mr. Yang Xuegang is deemed to be interested in the Shares held by Texson.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations.

(b) Substantial Shareholders

To the best knowledge of any Director or the chief executive of the Company, as at the Latest Practicable Date, Shareholder who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the Securities and Futures Ordinance was as follows:

Name	Capacity/nature of interest	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Texson	Beneficial owner	3,122,414,928 (L)	70.32%

(L) denotes long positions

Save as disclosed above and to the best knowledge of the Directors and the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance. As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which should fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

3. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, Yang Xuegang, a Director, is a director of Texson, which holds interests or short positions in the Shares and underlying Shares that are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group that is not determinable within one year without payment of compensation (other than statutory compensation).

5. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, to the knowledge of the Directors, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2020 (being the date up to which the latest published audited accounts of the Company were prepared).

7. SIGNIFICANT LITIGATION AND ARBITRATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, none of the members of the Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts were entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular and are or may be material:

- 8.1 the Joint Venture Contract of Lingyuan Risun Iron & Steel Energy Co., Ltd. (凌源旭陽凌鋼能源有限公司) entered into between Risun Chemicals Limited (旭陽化工有限公司) (currently renamed as Risun Group Limited (旭陽集團有限公司), a subsidiary of the Company, and Lingyuan Iron & Steel Co., Ltd. on December 9, 2019, pursuant to which both parties have agreed to jointly establish the joint venture, being Lingyuan Risun Iron & Steel Energy Co., Ltd., by way of capital contribution to invest in the construction of the ancillary coking project, details of which are set out in the announcement of the Company dated December 9, 2019;
- 8.2 the Term Loan Facility Agreement with an amount up to US\$150,000,000 entered into among CNC Risun Coking Limited (河北中煤旭陽焦化有限公司), a subsidiary of the Company, the Company, China Citic Bank International Limited, Coöperatieve Rabobank U.A., Hong Kong Branch, Natixis, Hong Kong Branch and the financial

institutions and entities being the original lenders under the Facility Agreement for the Facility on February 21, 2020, pursuant to which, among other things, the Company has agreed to provide a guarantee in favour of the finance party on the timely performance of all obligations by CNC Risun Coking Limited under the Facility Agreement and other related finance documents, details of which are set out in the announcements of the Company dated February 21, 2020 and March 4, 2020;

- 8.3 the Interests Transfer Agreement entered into among Risun Group Limited (旭陽集團有限公司), China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (“**China Cinda**”), Cinda Capital Management Co., Ltd. (信達資本管理有限公司) (“**Cinda Capital**”), and 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)) (“**Shunri Xinze**”) dated October 16, 2020, the Guarantee Agreement entered into among the Company, China Cinda and Cinda Capital dated October 16, 2020 and the Debt Accession Agreement entered into among China Cinda, Cinda Capital, Shandong Dongju Chemical Co., Ltd. (山東東巨化工股份有限公司), Shandong Fangming Chemical Co., Ltd. (山東方明化工股份有限公司), Shandong Hengshun Heat Supply Co., Ltd. (山東恒順供熱有限公司), Shandong Hongda Chemical Co., Ltd. (山東洪達化工有限公司), Shandong Hongding Chemical Co., Ltd. (山東洪鼎化工有限公司), and Shandong Yongzhi Chemical Co., Ltd. (山東勇智化工有限公司), in relation to acquisition of all the GP Interests and LP Interests in Shunri Xinze by the Group, details of which are set out in the Company’s announcement dated October 18, 2020 and circular dated December 8, 2020;
- 8.4 the joint venture cooperation agreement entered into among Risun Group Limited, Pingxiang Mining Industry Group Co., Ltd. (萍鄉礦業集團有限責任公司) and Hunan Wujo Light Industry and Chemicals Group Co., Ltd. in relation to the joint establishment of two joint ventures, being Pingxiang Risun Energy Co., Ltd. (萍鄉旭陽能源有限公司) and Pingxiang Anyuan Glass Co., Ltd. (萍鄉安源玻璃有限公司), details of which are set out in the announcement of the Company dated November 23, 2020;
- 8.5 the De Tian Joint Venture Agreement;
- 8.6 the Kinxiang Joint Venture Agreement; and
- 8.7 the Risun Wei Shan Joint Venture Agreement.

9. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group from December 31, 2020 (being the date up to which the latest published audited accounts of the Company were prepared) up to the Latest Practicable Date.

- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.
- (c) The company secretary of the Company is Mr. Ho Pui Lam Joseph, a fellow of the Hong Kong Institute of Certified Public Accountants.
- (d) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (e) The headquarters of the Company is at Building 4, Block 5, ABP Area, No. 188, South 4th Ring Road West, Fengtai District, Beijing, PRC.
- (f) The principal place of business of the Company in Hong Kong is at Room 2001, 20/F, Sino Plaza, 255 Gloucester Road, Causeway Bay, Hong Kong.
- (g) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited.
- (h) The principal share registrar of the Company is Conyers Trust Company (Cayman) Limited.
- (i) In case of any inconsistency between the English and Chinese versions of this circular, the English version shall prevail.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Hong Kong Stock Exchange's website and the Company's own website for a period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company; and
- (b) the material contracts referred to in the section headed "Material Contracts" in this appendix II.