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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)**

## **ENTERING INTO NEW FRAMEWORK AGREEMENTS FOR CONTINUING CONNECTED TRANSACTIONS**

The Board hereby announces that, on December 29, 2023, the Company entered into the following two agreements with Xuyang Holding: (i) the Property Management Services Framework Agreement, pursuant to which Xuyang Holding Group will provide the Group with the Property Management Services; and (ii) the Sale of Refined Chemicals Products Framework Agreement pursuant to which the Group will sell refined chemical products to Xuyang Holding Group, both of which will be effective from January 1, 2024 to December 31, 2024. It is because the Group is committed to concentrating purchases and sales in order to achieve higher operating efficiency, increase the Company's profitability and enhance the Group's brand advantages.

### **LISTING RULES IMPLICATIONS**

As Xuyang Holding is a company wholly-owned by Mr. Yang Xuegang, who is the controlling shareholder, an executive Director, the chief executive officer and the chairman of the Board of the Company, and his spouse, Xuyang Holding is an associate of Mr. Yang Xuegang and is thus a connected person of the Company. Therefore, each of the Property Management Services and the Sale of Refined Chemicals Products will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the respective highest applicable percentage ratio in respect of each of the Property Management Services and the Sale of Refined Chemicals exceeds 0.1% but is less than 5%, each of the Property Management Services and the Sale of Refined Chemicals is subject to the reporting, announcement and annual review requirements but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **I. INTRODUCTION**

The Board hereby announces that, on December 29, 2023, the Company entered into the following two agreements with Xuyang Holding: (i) the Property Management Services Framework Agreement, pursuant to which Xuyang Holding Group will provide the Group with the Property Management Services; and (ii) the Sale of Refined Chemicals Products Framework Agreement pursuant to which the Group will sell refined chemical products to Xuyang Holding Group, both of which will be effective from January 1, 2024 to December 31, 2024. It is because the Group is committed to concentrating purchases and sales in order to achieve higher operating efficiency, increase the Company's profitability and enhance the Group's brand advantages.

## **II. 2024 PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT AND PROPERTY MANAGEMENT SERVICES**

### **Date**

December 29, 2023

### **Parties**

- (i) the Company; and
- (ii) Xuyang Holding.

### **Scope of services**

Pursuant to the 2024 Property Management Services Framework Agreement, Xuyang Holding Group shall provide the Group with property management services in order to meet the needs of the fast-increasing number of the Group's production bases and provide high-quality and tailor-made property management services guarantees for the Group's production bases, including safety and security of large scaled production bases, indoor and outdoor cleaning, greening maintenance and planting, as well as material support such as heatstroke and cooling prevention and holiday welfare products, etc.

### **Pricing policies**

The Group conducts public tender for each of the production bases that needs property management services. Interested bidders will be selected on the basis of the proposed prices, the achievable quality specifications, the business model and background of the bidders, the proposed payment terms, the estimated services dates and the best overall terms offered by the bidders for the awarded property management services. As such, the fees to be charged by Xuyang Holding Group for the services provided under the property management services framework agreement shall be in line with the prices offered by Xuyang Holding Group in its bids, and the Group will compare such bids with those submitted by other independent third parties.

As the provision of the property management services is conducted by way of public tender in accordance with the relevant laws and regulations, the Company considers that such mechanism and procedures can ensure that the property management services are entered into on normal commercial terms and do not prejudice the interests of the Company and its shareholders as a whole.

### **Term**

The 2024 Property Management Services Framework Agreement shall be valid from January 1, 2024 to December 31, 2024.

### **Historical amounts**

For the years ended December 31, 2021 and 2022 and the eleven-month period ended November 30, 2023, Xuyang Holding Group charged the Company actual fees (tax-exclusive) of nil, RMB2.3 million and RMB10.9 million, respectively, for the Property Management Services which were fully exempt under Rule 14A.76 of the Listing Rules.

### **Annual cap and basis**

The Directors expect the maximum aggregate annual fees that Xuyang Holding Group charges for the year ending December 31, 2024 pursuant to the 2024 Property Management Services Framework Agreement will not exceed RMB50 million (tax-exclusive). In determining the annual cap, the Directors have considered the situation of the existing production bases and expected needs of production bases under construction.

## **III. 2024 SALE OF REFINED CHEMICALS PRODUCTS FRAMEWORK AGREEMENT AND SALE OF REFINED CHEMICALS PRODUCTS**

### **Date**

December 29, 2023

### **Parties**

- (i) the Company; and
- (ii) Xuyang Holding.

### **Scope of products sold**

Pursuant to the 2024 Sale of Refined Chemicals Products Framework Agreement, the Company will sell refined chemicals products to Xuyang Holding Group, including 2-Amino-2-Methyl-1-Propanol (referred to as “AMP”), acetone oxime, diphenylmethane products, etc.

## **Pricing policies**

The prices of refined chemicals to be sold by the Company to Xuyang Holding Group shall be determined by agreement between the parties with reference to market unit prices determined by third-party industry, so as to adjust the selling prices of the Group's products in a timely manner and shall not be less favorable than those offered by independent third-party customers under comparable conditions.

The prices to be sold by the Company for the products delivered to Xuyang Holding Group will be comparable to those available to other independent third-party customers. The sale of such products shall be reported to the sales department of the Group for review and submitted to the company secretary of the Company for final approval. As the prices of the products to be supplied will be determined with reference to latest market prices as well as prices offered by the Company to independent third-party customers, the Company considers that such mechanism and procedures can ensure that the Sale of Refined Chemicals Products is entered into on normal commercial terms and will not prejudice the interests of the Company and its shareholders as a whole.

## **Term**

The 2024 Sale of Refined Chemicals Products Framework Agreement shall be valid from January 1, 2024 to December 31, 2024.

## **Historical amounts**

For the years ended December 31, 2021 and 2022 and the eleven-month period ended November 30, 2023, the received amount that the Company sold refined chemicals products to Xuyang Holding Group (tax-exclusive) amounting to nil, RMB7.5 million and RMB10.5 million, which were fully exempt under Rule 14A.76 of the Listing Rules.

## **Annual cap and basis**

The Directors expect the maximum aggregate annual fees that Xuyang Holding Group charges for the year ending December 31, 2024 pursuant to the 2024 Sale of Refined Chemicals Products Framework Agreement will not exceed RMB30 million (tax-exclusive). In determining the annual cap, the Directors have considered the prevailing market conditions of AMP, acetone oxime, diphenylmethane products, etc., the capacity of the production bases of the Group and Xuyang Holding Group's demand of AMP, acetone oxime, diphenylmethane products, etc.

## **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

### **Property Management Services**

While the Group could arrange independent third parties to provide property management services, it considers that the provision of the Property Management Services are beneficial to the Group as: (i) the property management needs of the fast-increasing number of the Group's production bases in which Xuyang Holding Group can provide such professional, high-quality and tailor-made property management services, because Xuyang Holding Group has extensive knowledge of the Group's production bases and thereby allowing higher efficiency in implementing the property management; and (ii) the terms and prices offered by Xuyang Holding Group may be more favorable than what the Group may obtain from independent third parties.

### **Sale of Refined Chemicals Products**

Xuyang Holding Group has stable and predictable demand for refined chemicals products during its ordinary course of business. The Sale of Refined Chemicals Products will allow the Group to expand and strengthen its customer base and marketing network, increase the Company's profitability and enhance the Group's brand advantages.

## **LISTING RULES IMPLICATIONS**

As Xuyang Holding is a company wholly-owned by Mr. Yang Xuegang, who is the controlling shareholder, an executive Director, the chief executive officer and the chairman of the Board of the Company, and his spouse, Xuyang Holding is an associate of Mr. Yang Xuegang and is thus a connected person of the Company. Therefore, each of the Property Management Services and the Sale of Refined Chemicals Products will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the respective highest applicable percentage ratio in respect of each of the Property Management Services and the Sale of Refined Chemicals Products exceeds 0.1% but is less than 5%, each of the Property Management Services and the Sale of Refined Chemicals Products is subject to the reporting, announcement and annual review requirements but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) consider that the Property Management Services Framework Agreement and the Sale of Refined Chemicals Products Framework Agreement and the continuing connected transactions contemplated thereunder will be conducted on normal commercial terms, are entered into on normal commercial terms in the Company's ordinary and usual course of business, are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the respective annual caps of the Property Management Services and the Sale of Refined Chemicals Products are fair and reasonable.

Pursuant to the requirements under the articles of association of the Company, Mr. Yang Xuegang, being the shareholder of Xuyang Holding, has abstained from voting on the Board resolutions to approve the Property Management Services and the Sale of Refined Chemicals Products.

## **GENERAL**

### **The Group and 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 expanded its operations to other provinces of the PRC, such as Inner Mongolia Autonomous Region, Shandong Province and Jiangxi Province. It gradually extends its overseas presence to Sulawesi Province, the Republic of Indonesia.

### **Xuyang Holding**

Xuyang Holding is principally engaged in real estate development and other investments in the PRC, and its subsidiaries are principally engaged in real estate development, sale and investment, investment holding, provision of project design, construction management and general contracting services, research, development and manufacturing of water purification chemicals for sewage treatment, and projects of informatization services in the PRC. It is wholly-owned by Mr. Yang Xuegang and his spouse.

## **DEFINITIONS**

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

|   |   |
|---|---|
| “2024 Property Management Services Framework Agreement”       | the 2024 Property Management Services Framework Agreement dated December 29, 2023 entered into by the Company and Xuyang Holding  |
| “2024 Sale of Refined Chemicals Products Framework Agreement” | the 2024 Sale of Refined Chemicals Products Framework Agreement dated December 29, 2023 entered into by the Company and Xuyang Holding  |
| “Board”   | the board of Directors of the Company   |
| “Company”   | China Risun Group Limited (中國旭陽集團有限公司), an exempted company incorporated in the Cayman Islands on November 8, 2007 with limited liability and listed on the Stock Exchange (stock code: 1907) |

|                                       |   |
|---------------------------------------|---|
| “connected person(s)”                 | as defined in the Listing Rules   |
| “controlling shareholder(s)”          | as defined in the Listing Rules   |
| “Director(s)”                         | the director(s) of the Company  |
| “Group”                               | the Company and its subsidiaries  |
| “Listing Rules”                       | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time   |
| “PRC” or “China”                      | the People’s Republic of China, excluding, for the purpose of this announcement only, the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Taiwan region   |
| “Property Management Services”        | the transaction involving the provision of property management services to the Company by Xuyang Holding Group pursuant to the 2024 Property Management Services Framework Agreement  |
| “Sales of Refined Chemicals Products” | the transaction involving the sale of refined chemicals products by the Company to Xuyang Holding Group pursuant to the 2024 Sale of Refined Chemicals Products Framework Agreement   |
| “Stock Exchange”                      | The Stock Exchange of Hong Kong Limited   |
| “Xuyang Holding”                      | Xuyang Holding Limited (旭陽控股有限公司) (formerly known as Xuyang Coking Holding Limited (旭陽焦化控股有限公司) and Tianlu Industrial Holding Limited (天鷲實業控股有限公司)), a company established in the PRC on August 4, 2004 with limited liability wholly-owned by Mr. Yang Xuegang and his spouse, and a connected person of the Company |

“Xuyang Holding Group”

Xuyang Holding and its subsidiaries

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

Hong Kong, December 29, 2023

*As at the date of this announcement, the executive Directors 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 are Mr. Kang Woon, Mr. Yu Kwok Kuen Harry and Mr. Wang Jinping.*