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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)

RENEWAL OF FRAMEWORK AGREEMENTS FOR CONTINUING CONNECTED TRANSACTIONS

References are made to announcements of the Company dated December 31, 2021, January 6, 2022 and December 29, 2023 in relation to, among other things, the provision of the Project Services, the Informatization Services and the Property Management Services to the Group by Xuyang Holding Group, and the Integrated Procurement from Xuyang Holding Group by the Group under various framework agreements for continuing connected transactions.

As these framework agreements expired on December 31, 2024, the Company and Xuyang Holding entered into the 2025-2027 Framework Agreements on December 31, 2024, to renew the Project Services, the Integrated Procurement, the Informatization Services and the Property Management Services.

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, Ms. Lu Xiaomei (also an executive Director), Xuyang Holding is an associate of Mr. Yang Xuegang and is thus a connected person of the Company. Therefore, each of the Project Services, the Integrated Procurement, the Informatization Services and the Property Management Services 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 Project Services, the Integrated Procurement, the Informatization Services and the Property Management Services exceeds 0.1% but is less than 5%, each of the Project Services, the Integrated Procurement, the Informatization Services and the Property Management Services 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.

INTRODUCTION

References are made to announcements of the Company dated December 31, 2021, January 6, 2022 and December 29, 2023 in relation to, among other things, the provision of the Project Services, the Informatization Services and the Property Management Services to the Group by Xuyang Holding Group, and the Integrated Procurement from Xuyang Holding Group by the Group under the various framework agreements for continuing connected transactions.

As these framework agreements expired on December 31, 2024, the Company and Xuyang Holding entered into the 2025-2027 Framework Agreements on December 31, 2024, to renew the Project Services, the Integrated Procurement, the Informatization Services and the Property Management Services.

DETAILS OF 2025-2027 FRAMEWORK AGREEMENTS

(1) 2025-2027 PROJECT SERVICES FRAMEWORK AGREEMENT AND PROJECT SERVICES

Date of the 2025-2027 Project Services Framework Agreement

December 31, 2024

Parties

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

Scope of services

Pursuant to the 2025-2027 Project Services Framework Agreement, Xuyang Holding Group will provide the Group with project design, construction management and general contracting services to improve the Group's energy conservation and environmental friendliness in order to meet the tightening energy conservation and environmental protection requirements imposed by the relevant PRC government authorities while improving the efficiency and quality of the existing large-scale production facilities.

Pricing policies

The Group conducts public tender for each of the projects that needs design, construction management and general contracting services. Interested bidders will be selected on the basis of the proposed prices, the achievable technical specifications, the business model and background of the bidders, the proposed payment terms, the estimated delivery dates and the best overall terms offered by the bidders for the awarded project. As such, if Xuyang Holding Group wins the bid for any particular project, the fees to be charged by Xuyang Holding Group shall be in line with the prices offered in its bid, and the Group will compare such bid with those submitted by other independent third parties.

As the provision of the Project 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 Project 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 2025-2027 Project Services Framework Agreement shall be valid from January 1, 2025 to December 31, 2027.

Historical amounts

For the years ended December 31, 2022 and 2023 and the six-month period ended June 30, 2024, Xuyang Holding Group charged the Group actual fees (tax-exclusive) of RMB261.7 million, RMB704.9 million and RMB92.6 million, respectively, for the Project Services. As at the date of this announcement, the actual fee that Xuyang Holding Group charged the Group for the Project Services has not exceeded the relevant annual cap for the year ending December 31, 2024.

Annual cap and basis

The Directors expect the maximum aggregate annual fees that Xuyang Holding Group charges for each of the three years ending December 31, 2025, 2026 and 2027 pursuant to the 2025-2027 Project Services Framework Agreement will not exceed RMB500 million (tax-exclusive). In determining the annual cap, the Directors have considered (1) the historical amounts and the fluctuation in the past three years, which was resulted from the progress of construction affected by different factors, such as (i) the COVID-19 pandemic in 2022, which made the historical amount in that year much lower than the annual cap and (ii) tighter control of the capital expenditure for construction projects, which led to a particular low historical amount for the six months ended June 30, 2024, (2) the progress (and expected completion dates, if applicable) of the existing development projects in Pingxiang and Cangzhou, the PRC and the Republic of Indonesia, (3) the continuous upgrade of the environmental protection facilities in the existing production bases of the Group and (4) the continuous construction of production facilities of hydrogen energy products and liquid hydrogen in the production bases in Dingzhou, the PRC, as well as the expected market conditions.

(2) 2025-2027 INTEGRATED PROCUREMENT FRAMEWORK AGREEMENT AND INTEGRATED PROCUREMENT

Date of the 2025-2027 Integrated Procurement Framework Agreement

December 31, 2024

Parties

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

Scope of products to be procured

Pursuant to the 2025-2027 Integrated Procurement Framework Agreement, Xuyang Holding Group will provide the Group with water purification chemicals, thermal coal for power and heat generation, steel products, building materials and catalysts together with respective technical services in the course of its daily production and operation in accordance with the principles set out therein.

Pricing policies

The prices of, among other things, the water purification chemicals for sewage treatment, thermal coal, steel products, building materials and catalysts together with respective technical services to be provided by Xuyang Holding Group shall be determined by agreement between the parties with references to market prices obtained from the open market and/or market unit prices determined by third-party industry consultants from time to time, and shall not be less favorable than those offered by independent third-party suppliers under comparable conditions.

To determine the prices of the Integrated Procurement, the Company will engage an independent third-party industry consultant to provide it with information about the market prices of the relevant products from time to time so as to stay abreast of market prices and determine whether the prices offered by Xuyang Holding Group are fair and reasonable. Before placing an order with Xuyang Holding Group, the Group will also obtain quotations from independent third-party suppliers and submit such quotations as well as those offered by Xuyang Holding Group to the procurement department of the Group for review and the company secretary of the Company for final approval. As the procurement procedure makes reference to the latest market prices, the Company considers that such mechanism and procedures can ensure that the Integrated Procurement is entered into on normal commercial terms and does not prejudice the interests of the Company and its shareholders as a whole.

Term

The 2025-2027 Integrated Procurement Framework Agreement shall be valid from January 1, 2025 to December 31, 2027.

Historical amounts

For the years ended December 31, 2022 and 2023 and the six-month period ended June 30, 2024, Xuyang Holding Group charged the Group actual fees (tax-exclusive) of RMB262.1 million, RMB231.8 million and RMB57.7 million, respectively, for the Integrated Procurement. As at the date of this announcement, the actual fee that Xuyang Holding Group charged the Group for the Integrated Procurement has not exceeded the relevant annual cap for the year ending December 31, 2024.

Annual cap and basis

The Directors expect the maximum aggregate annual fees that Xuyang Holding Group charges for each of the three years ending December 31, 2025, 2026 and 2027 pursuant to the 2025-2027 Integrated Procurement Framework Agreement will not exceed RMB400 million (tax-exclusive). In determining the annual cap, the Directors have considered (1) the historical amounts, which was basically stable from 2022 to 2023 but had a relatively large decrease for the six months ended June 30, 2024 due to control of expenses by the Group for the purpose of improving the efficiency of the management of the Group and the reflection of actual needs of necessary procurement from 2025 to 2027; and (2) the Group's development strategies to expand its production and operation management capacity and, therefore, the expected future demand for, among other things, the water purification chemicals for sewage treatment, thermal coal, steel products, building materials and catalysts.

(3) 2025-2027 INFORMATIZATION SERVICES FRAMEWORK AGREEMENT AND INFORMATIZATION SERVICES

Date of the 2025-2027 Informatization Services Framework Agreement

December 31, 2024

Parties

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

Scope of services

Pursuant to the 2025-2027 Informatization Services Framework Agreement, Xuyang Holding Group will provide the Group with related information system building services such as the construction of, among other things, smart logistics systems, safety and environmental protection management platforms and big screens of command centers in the course of its daily production and operation in accordance with the principles set out therein.

Pricing policies

The prices of the related information system building services to be provided by Xuyang Holding Group shall be determined by agreement between the parties with references to market prices obtained from the open market and/or market unit prices determined by third-party industry consultants from time to time, and shall not be less favorable than those offered by independent third-party suppliers under comparable conditions.

To determine the prices of the Informatization Services, the Company will engage an independent third-party industry consultant to provide it with information about the market prices of the relevant products from time to time so as to stay abreast of market prices and determine whether the prices offered by Xuyang Holding Group are fair and reasonable. Before placing an order with Xuyang Holding Group, the Group will also obtain quotations from independent third-party suppliers and submit such quotations as well as those offered by Xuyang Holding Group to the procurement department of the Group for review and the company secretary of the Company for final approval. As the procurement procedure makes reference to the latest market prices, the Company considers that such mechanism and procedures can ensure that the Informatization 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 2025-2027 Informatization Services Framework Agreement shall be valid from January 1, 2025 to December 31, 2027.

Historical amounts

For the years ended December 31, 2022 and 2023 and the six-month period ended June 30, 2024, Xuyang Holding Group charged the Group actual fees (tax-exclusive) of RMB45.5 million, RMB46.8 million and RMB14.2 million, respectively, for the Informatization Services. As at the date of this announcement, the actual fee that Xuyang Holding Group charged the Group for the Informatization Services has not exceeded the relevant annual cap for the year ending December 31, 2024.

Annual cap and basis

The Directors expect the maximum aggregate annual fees that Xuyang Holding Group charges for each of the three years ending December 31, 2025, 2026 and 2027 pursuant to the 2025-2027 Informatization Services Framework Agreement will not exceed RMB65 million (tax-exclusive). In determining the annual cap, the Directors have considered the Informatization Services projects required by the Group in the digitalization of the coking and chemical industries, the demand for information technology systems and platform in the daily operation of the Group and the further promotion of the construction of digital factories in order to increase the efficiency of its management system and the manpower efficiency of the production bases of the Group by applying more information technology.

(4) 2025-2027 PROPERTY MANAGEMENT SERVICES FRAMEWORK AGREEMENT AND PROPERTY MANAGEMENT SERVICES

Date of the 2025-2027 Property Management Services Framework Agreement

December 31, 2024

Parties

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

Scope of services

Pursuant to the 2025-2027 Property Management Services Framework Agreement, Xuyang Holding Group will 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, if Xuyang Holding Group wins the bid for any particular project, the fees to be charged by Xuyang Holding Group shall be in line with the prices offered in its bid, and the Group will compare such bid 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 2025-2027 Property Management Services Framework Agreement shall be valid from January 1, 2025 to December 31, 2027.

Historical amounts

For the years ended December 31, 2022 and 2023 and the six-month period ended June 30, 2024, Xuyang Holding Group charged the Group actual fees (tax-exclusive) of RMB2.3 million, RMB13.0 million and RMB3.7 million, respectively, for the Property Management Services. As at the date of this announcement, the actual fee that Xuyang Holding Group charged the Group for the Property Management Services has not exceeded the relevant annual cap for the year ending December 31, 2024.

Annual cap and basis

The Directors expect the maximum aggregate annual fees that Xuyang Holding Group charges for each of the three years ending December 31, 2025, 2026 and 2027 pursuant to the 2025-2027 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 in Pingxiang and Cangzhou, together with new needs of property management service to Risun Building, which was acquired by the Group in early December 2024.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Project Services

While the Group could procure independent third parties to provide such services, it considers that the provision of the Project Services are beneficial to the Group as: (i) the project design and construction management of various chemical production facilities requires certain technical expertise and experience in the design and construction management of coal, coking and refined chemicals systems and facilities which Xuyang Holding Group can provide; (ii) Xuyang Holding Group has extensive knowledge of the Group's existing production facilities and technical and operational requirements, thereby allowing greater efficiency in implementing the projects; and (iii) the terms and prices offered by Xuyang Holding Group may be more favorable than what the Group may obtain from independent third parties.

Integrated Procurement

While the Group could procure independent third parties to provide such products, it considers that the Integrated Procurement is beneficial to the Group as: (i) Xuyang Holding Group can provide stable supply of, among other things, water purification chemicals, thermal coal, steel products, building materials and catalysts; (ii) based on the past transactions, Xuyang Holding Group has extensive knowledge of the Group's requirements for, among other things, water purification chemicals, thermal coal, steel products, building materials and catalysts and is capable of providing products and respective technical services that meet the Group's operational and quality requirements; and (iii) the terms and prices offered by Xuyang Holding Group may be more favorable than what the Group may obtain from independent third parties.

Informatization Services

While the Group could procure independent third parties to provide such services, it considers that the provision of the Informatization Services is beneficial to the Group as: (i) Xuyang Holding Group can provide knowledge and experience in projects of the Informatization Services in relation to coking and refined chemical products; (ii) Xuyang Holding Group has extensive knowledge of the Group's existing production facilities and technical and operational requirements, thereby allowing greater efficiency in implementing the projects; and (iii) the terms and prices offered by Xuyang Holding Group may be more favorable than what the Group may obtain from independent third parties.

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 Risun Building 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.

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, Ms. Lu Xiaomei (also an executive Director), Xuyang Holding is an associate of Mr. Yang Xuegang and is thus a connected person of the Company. Therefore, each of the Project Services, the Integrated Procurement, the Informatization Services and the Property Management Services 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 Project Services, the Integrated Procurement, the Informatization Services and the Property Management Services exceeds 0.1% but is less than 5%, each of the Project Services, the Integrated Procurement, the Informatization Services and the Property Management Services 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 2025-2027 Framework Agreements and the continuing connected transactions contemplated thereunder are 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 Project Services, the Integrated Procurement, the Informatization Services and the Property Management Services 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, and his spouse, Ms. Lu Xiaomei (also an executive Director of the Company) have abstained from voting on the Board resolutions to approve the 2025-2027 Framework Agreements and the continuing connected transactions contemplated thereunder.

GENERAL

The Group and the Company

The Company is a leading integrated coke, coking chemicals and refined chemicals (including hydrogen-energy products) producer and supplier as well as relevant operation management services provider in the PRC with customers located in both 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 and Shandong Province. It has gradually extended its overseas presence to Sulawesi Province, the Republic of Indonesia.

Xuyang Holding

Xuyang Holding is a company incorporated in the PRC with limited liability and beneficially owned by Mr. Yang Xuegang, the controlling shareholder, an executive Director, the chairman and the chief executive officer of the Company, and his spouse, Ms. Lu Xiaomei (also an executive Director). It is principally engaged in the development and sale of and investment in real estate, investment holding, provision of project design, construction management and general contracting services, research and development and manufacturing of water purification chemicals for sewage treatment and information technology, etc.

DEFINITIONS

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

“2025-2027 Framework Agreements”	the 2025-2027 Project Services Framework Agreement, the 2025-2027 Integrated Procurement Framework Agreement, the 2025-2027 Informatization Services Framework Agreement and the 2025-2027 Property Management Services Framework Agreement
“2025-2027 Informatization Services Framework Agreement”	the 2025-2027 Informatization Services Framework Agreement dated December 31, 2024 entered into by the Company and Xuyang Holding

“2025-2027 Integrated Procurement Framework Agreement”	the 2025-2027 Integrated Procurement Framework Agreement dated December 31, 2024 entered into by the Company and Xuyang Holding
“2025-2027 Project Services Framework Agreement”	the 2025-2027 Project Services Framework Agreement dated December 31, 2024 entered into by the Company and Xuyang Holding
“2025-2027 Property Management Services Framework Agreement”	the 2025-2027 Property Management Services Framework Agreement dated December 31, 2024 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
“Informatization Services”	the transaction involving the provision of informatization services to the Group by Xuyang Holding Group
“Integrated Procurement”	the transaction involving the procurement of, among other things, water purification chemicals for sewage treatment, thermal coal for power and heat generation, steel products, building materials and catalysts by the Group from Xuyang Holding Group
“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 Group by Xuyang Holding Group
“Project Services”	the transaction involving the provision of project services to the Company by Xuyang Holding Group
“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 31, 2024

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 Dr. Yu Kwok Kuen Harry, Mr. Wang Yinping and Dr. Liu Xiaofeng.