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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)**

**CONNECTED TRANSACTION  
DISPOSAL OF EQUITY INVESTMENT**

The Board hereby announces that the Company plans to voluntarily deregister its subsidiary, namely Hongda Chemical, in the near future, following the merger of Hongda Chemical with another subsidiary as part of the Group's internal business structure optimization. Among the assets of Hongda Chemical is its 3.5863% equity interest in Yuncheng Rural Commercial Bank. Upon considering the relevant entry requirements for the Chinese banking sector, the Group has decided to dispose of the Target Shares. Following market inquiries and negotiations through multiple channels, Xuyang Engineering has been identified as a qualified purchaser under the relevant PRC banking regulatory requirements.

On June 21, 2024, Hongda Chemical and Xuyang Engineering entered into the Equity Transfer Agreement, pursuant to which Hongda Chemical shall transfer the Target Shares to Xuyang Engineering at a consideration of RMB54.20 million.

**LISTING RULES IMPLICATIONS**

Xuyang Engineering is beneficially owned by Mr. Yang Xuegang, the controlling shareholder, an executive Director, the chief executive officer and the chairman of the Board of the Company, and Ms. Lu Xiaomei, an executive Director. It is an associate of Mr. Yang Xuegang and Ms. Lu Xiaomei, and is thus a connected person of the Company. Therefore, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Disposal exceeds 0.1% but is less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## **EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are as follows:

Date of agreement : June 21, 2024  
and effective date

The Equity Transfer Agreement shall become effective on the date on which it is signed by the authorised representatives of both parties and affixed with common seals.

Parties : Xuyang Engineering (the purchaser); and  
Hongda Chemical (the seller)

Target Shares : Hongda Chemical has agreed to transfer to Xuyang Engineering 36 million shares, representing 3.5863% of the total shareholding, in Yuncheng Rural Commercial Bank and all rights, interests, claims and entitlements according to law in respect thereof.

Consideration : The consideration of the Disposal shall be RMB54.20 million, which is determined after negotiation between the parties with reference to the valuation of the Target Shares of RMB54.20 million. Payment shall be made by Xuyang Engineering within 5 working days after the satisfaction of the conditions precedent for the completion as set out in the agreement.

Completion of the transaction: : The completion of the Disposal is subject to the satisfaction of the conditions precedent as set out in the Equity Transfer Agreement, which mainly include the parties to the agreement having obtained their respective valid internal decision-making approvals in respect of the Disposal, and there being no event that would have a material adverse impact on the Disposal or on the legal subsistence, business, financial and goodwill or any other material aspect of Yuncheng Rural Commercial Bank.

The completion date of the Disposal shall be the date on which Xuyang Engineering is duly registered as a shareholder of Yuncheng Rural Commercial Bank, which shall be no later than June 30, 2024.

From the completion date, Xuyang Engineering shall become the legal owner of the Target Shares and shall be entitled to all the rights and interests relating to the Target Shares and assume the obligations and liabilities relating to the same arising after the completion date.

## **YUNCHENG RURAL COMMERCIAL BANK AND VALUATION OF TARGET SHARES**

Yuncheng Rural Commercial Bank was restructured, upon approval by the former China Banking Regulatory Commission, from Yuncheng Rural Credit Cooperatives\* (鄆城縣農村信用合作聯社) into a joint-stock rural commercial bank on December 28, 2013. It was the first successfully restructured rural commercial bank in Heze City, Shandong Province.

According to the valuation report issued by Vocation, an independent third-party valuation institution, as at the end of December 2023, Yuncheng Rural Commercial Bank had total assets of approximately RMB46.25 billion and net assets of approximately RMB1.78 billion. For the two financial years ended December 31, 2022 and 2023, the bank recorded gross profits before tax of approximately RMB183 million and RMB266 million, respectively, and net profits after tax of approximately RMB142 million and RMB215 million, respectively; and the book value of the Target Shares amounted to approximately RMB30.39 million.

Vocation appraised the Target Shares based on the benchmark date of December 31, 2023, using two valuation approaches, namely the market approach (specifically the transaction case comparison method as detailed below) and the cost approach (where the value of the Target Shares is determined by multiplying the net assets from the audited balance sheet as at the benchmark date by the shareholding percentage). Considering that the valuation conclusion of the market approach can reflect the market value of the Target Shares more directly and objectively and, therefore, is more reliable and persuasive, the final valuation conclusion for

the Disposal is based on the valuation result derived from the market approach, which is: as at the benchmark date, based on the going concern assumption, the market value of the Target Shares was approximately RMB54.20 million, representing an appreciation amount of approximately RMB23.81 million and an appreciation rate of 78.36%.

### Valuation Assumptions

In addition to general valuation assumptions (such as the assumption of transaction in progress, open market assumptions, the continuous use of the assets and the going concern of the enterprise), the Valuation also assumed that the financial data disclosed by the companies involved in the selected comparable transactions are true and accurate. Furthermore, the Valuation does not consider the impact of any external equity investment projects undertaken by the title holder and Yuncheng Rural Commercial Bank after the benchmark date on the value.

### Comparable Transactions and Selection Criteria

For the Valuation, the following four comparable transactions were selected:

- (1) the transfer of 3.30% equity interest in Bank of Zigong Co., Ltd.\* (自貢銀行股份有限公司) (“**Zigong Bank**”) by Sichuan Zigong Conveying Machine Group Co., Ltd.\* (四川省自貢運輸機械集團股份有限公司) completed in April 2024 at a transaction price of approximately RMB182 million, and the benchmark date of this transaction was August 31, 2023.
- (2) the transfer of 1.66% equity interest in Bank of Shaoxing Co., Ltd.\* (紹興銀行股份有限公司) (“**Shaoxing Bank**”) by Zhejiang Zhenyuan Co., Ltd.\* (浙江震元股份有限公司), with the contract signed in May 2023, at a transaction price of approximately RMB192 million, and the benchmark date of this transaction was June 30, 2022.
- (3) the transfer of 10.10% equity interest in Shanghai Huarui Bank Co., Ltd.\* (上海華瑞銀行股份有限公司) (“**Huarui Bank**”) by Shanghai Metersbonwe Fashion & Accessories Co., Ltd.\* (上海美特斯邦威服飾股份有限公司) completed in April 2023 at a transaction price of approximately RMB424 million, and the benchmark date of this transaction was December 31, 2020.
- (4) The transfer of 6.76% equity interest in Sichuan Santai Rural Commercial Bank Co., Ltd.\* (四川三台農村商業銀行股份有限公司) (“**Santai Rural Commercial Bank**”) by Zhejiang Renzhi Co., Ltd.\* (浙江仁智股份有限公司) completed in October 2022 at a transaction price of approximately RMB116 million, and the benchmark date of this transaction was December 31, 2020.

The criteria for selecting the aforementioned comparable transactions were as follows:

- (1) data adequacy: for the transaction case comparison method, the data collected for comparable companies should meet the basic requirements for comparison. Additionally, attention should be paid to the timeliness of the collected data, meaning the time gap between the benchmark dates should not be too long.
- (2) data reliability: this mainly refers to whether the data sources are obtained through normal channels. Generally, the higher the transparency of the information, the greater its reliability.
- (3) number of comparable transactions: the four target companies have the same principal business as, and total asset scales similar to, Yuncheng Rural Commercial Bank, and the benchmark dates of the target companies are relatively close to the benchmark date of the Disposal.

The relevant data of the target companies in the comparable transactions are as follows:

Project	Investee	Target Companies of the Comparable Transactions			
	Yuncheng Rural Commercial Bank	Zigong Bank	Shaoxing Bank	Huarui Bank	Santai Rural Commercial Bank
<b>Profitability Indicator</b>					
Cost-to-income Ratio (%)	36.16	53.52	37.75	41.64	38.36
<b>Risk Indicators</b>					
Non-performing Loan Ratio (%)	1.47	3.00	0.83	1.66	1.86
Provision Coverage (%)	211.02	163.70	324.67	205.24	272.46
Capital Adequacy Ratio (%)	10.51	14.10	13.29	12.92	13.66
<b>Size Indicator</b>					
Total Deposits (RMB'0,000)	4,204,491.32	8,430,900.00	16,033,537.70	3,364,443.78	2,659,304.01
<b>Growth Potential Indicators</b>					
Total Assets Growth Rate (%)	5.91	3.87	17.13	16.27	11.44
Revenue Growth Rate (%)	14.96	8.12	-3.48	50.76	1.27
<b>Liquidity Indicator</b>					
Loan-to-deposit Ratio (%)	50.77	57.83	80.79	94.05	57.51

### Selection and Adjustment of Valuation Ratio

The subject of the Valuation operates in the banking sector. From the perspective of a bank's development and operating model, the size of net assets is the primary factor determining the size of a bank's interest income, and is the most fundamental factor determining the appreciation and value of a bank's assets. In addition, the Valuation also took into account the limitations of the financial data available from comparable transactions. Therefore, the price-to-book ratio ("**P/B ratio**", referring to the ratio of transaction price of the equity to its book

net asset value) was selected as the value ratio for the Valuation. Adjustments were made to the value ratios of the comparable companies based on the differences in three major aspects, namely financial indicators (including profitability, risk indicator, size indicator, growth potential and liquidity indicator), credit ratings and transaction dates. As a result, the final value for the P/B ratio of Yuncheng Rural Commercial Bank was determined to be 0.85%. Based on the net asset value of Yuncheng Rural Commercial Bank as at December 31, 2023 (approximately RMB1.78 billion), the net asset value corresponding to the Target Shares is approximately RMB6,383.62 million. Multiplying this by the P/B ratio results in a market value of RMB54.20 million.

The Board has carefully reviewed the relevant basis, assumptions and methods of the Valuation and is of the opinion that the Valuation has taken into account the comparable transactions in the market and industry benchmarks, reflecting the market conditions and pricing at that time. The Board believes that the adoption of the results of the Valuation as the basis for determining the consideration is appropriate and in the interests of the Company and the shareholders as a whole.

## **FINANCIAL IMPACTS OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS**

The Target Shares are an equity investment of Hongda Chemical. In 2023, the dividend distributed by Yuncheng Rural Commercial Bank in respect of the Target Shares amounted to approximately RMB2.18 million.

The Company expects that the Disposal will result in a gain of approximately RMB23.81 million, which is expected to be used to increase its capital reserve to reduce future debt burdens or for acquisition purposes. Such gain was calculated based on the total proceeds from the Disposal of RMB54.20 million less the audited book value of the Target Shares as at December 31, 2023 of approximately RMB30.39 million. The final amount will be disclosed in the audited consolidated financial statements of the Company.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

In 2021, the Group acquired Hongye Chemical Group Co., Ltd.\* (洪業化工集團股份有限公司) and its six chemical subsidiaries through the acquisition of the entire LP shares and GP shares of 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)). Hongda Chemical was one of the target companies in that acquisition. To further streamline the structure and enhance management efficiency, the Group decided to merge the business of Hongda Chemical into another subsidiary located within the Yuncheng production base.

Hongda Chemical has been holding the Target Shares before being consolidated into the Group. However, given that Yuncheng Rural Commercial Bank is a financial institution in China, its shareholders must meet the qualifications requirement and be approved by the competent banking regulatory authority; in accordance with the relevant PRC banking regulations, which set out the entry restrictions for foreign-invested enterprises, the other subsidiaries within the Group may not be able to continue holding the Target Shares.



Therefore, the Group has decided to dispose of the Target Shares before the completion of the deregistration of Hongda Chemical.

Since the equity of Yuncheng Rural Commercial Bank is not publicly traded, the Group has previously attempted to dispose of the Target Shares through multiple channels, including but not limited to inviting the substantial shareholder(s) of Yuncheng Rural Commercial Bank to purchase the shares by exercising their pre-emptive rights, and the progress, however, has been unsatisfactory. Following market inquiries and negotiations with multiple parties, the Group has identified Xuyang Engineering as a qualified purchaser under the relevant banking regulatory requirements who can also conform to the deregistration schedule of Hongda Chemical, thereby avoiding any potential loss of equity investment.

The Group expects that the Disposal will present a one-off opportunity for the Group to recoup investment costs and realize assets, turning long-term assets into working capital. The Group wishes to increase its capital reserve to reduce future debt burdens or for acquisition purposes.

The Directors (including the independent non-executive Directors) believe that although the Disposal was not entered into in the ordinary and usual course of business of the Group, it is conducted on normal commercial terms or better, and the terms of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Xuyang Engineering is beneficially owned by Mr. Yang Xuegang, the controlling shareholder, an executive Director, the chief executive officer and the chairman of the Board of the Company, and Ms. Lu Xiaomei, an executive Director. It is an associate of Mr. Yang Xuegang and Ms. Lu Xiaomei, and is thus a connected person of the Company. Therefore, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Disposal exceeds 0.1% but is less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Yang Xuegang and Ms. Lu Xiaomei have abstained from voting on the Board resolution to consider and approve the Disposal pursuant to the requirements of the articles of association of the Company.

## **GENERAL INFORMATION ON THE PARTIES**

### **The Group and Hongda Chemical**

The Company is a leading integrated coke, coking chemical and refined chemical producer and supplier in China with customers located both in China and abroad. The Group initially

operated four production bases in Hebei Province, China and subsequently expanded its operations to other provinces of China, such as Inner Mongolia Autonomous Region and Shandong Province. It gradually extends its overseas presence to Sulawesi Province, the Republic of Indonesia.

Hongda Chemical is a company established in Shandong Province, China with limited liability on September 12, 2008 and a wholly-owned subsidiary of the Company. It is principally engaged in the production and sale of coke, coal tar, crude benzene and other products. The Company plans to voluntarily deregister Hongda Chemical in the near future, following the merger of Hongda Chemical with another subsidiary of the Group as part of the Group's internal business structure optimization.

### **Xuyang Engineering**

Xuyang Engineering is a company incorporated in Hebei, China with limited liability on December 19, 2013 and wholly owned by Mr. Yang Xuegang and Ms. Lu Xiaomei indirectly through Xuyang Holding Limited\* (旭陽控股有限公司). It is principally engaged in the design and construction of building works.

### **DEFINITIONS**

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

“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 with limited liability on November 8, 2007 and listed on the Stock Exchange (Stock Code: 1907)
“connected person(s)”	has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the transfer of the Target Shares by Hongda Chemical to Xuyang Engineering
“Equity Transfer Agreement”	the equity transfer agreement signed by Hongda Chemical and Xuyang Engineering on June 21, 2024 in relation to the transfer of the Target Shares
“Group”	the Company and its subsidiaries
“Hongda Chemical”	Shandong Hongda Chemical Co., Ltd.* (山東洪達化工有限公司), a wholly-owned subsidiary of the Company



“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, but for the purpose of this announcement and for geographical reference only and except where the context requires, references to “the PRC” and “China” do not include Hong Kong, Macau and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Shares”	36 million shares, representing 3.5863% of the total shareholding, of Yuncheng Rural Commercial Bank held by Hongda Chemical as at the date of the Equity Transfer Agreement and this announcement
“Valuation”	the asset valuation on the Target Shares conducted by Vocation in relation to the Disposal
“Vocation”	Vocation (Beijing) International Asset Valuation Co., Ltd.* (沃克森(北京)國際資產評估有限公司), an independent third-party valuation institution registered in China
“Xuyang Engineering”	Xuyang Engineering Technology Co., Ltd. (旭陽工程科技有限公司), a connected person of the Company
“Yuncheng Rural Commercial Bank”	Shandong Yuncheng Rural Commercial Bank Co., Ltd.* (山東鄆城農村商業銀行股份有限公司), a rural commercial bank headquartered in Heze City, Shandong Province

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

Hong Kong, June 23, 2024

*As at the date of this announcement, the executive Directors are Mr. Yang Xuegang, Ms. Lu Xiaomei, Mr. Li Qinghua, Mr. Han Qinliang, 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 Yinping.*

\* For identification purpose only