

**CHINA RISUN GROUP LTD:
SHOULD ONE CONSIDER THIS COMPANY
TO BE A HIGH-RISK INVESTMENT ?**

The Chairman Is The Financial Eminence Grise

Of the \$HK1,573.20 million, being the net proceeds of the **Initial Public Offering (IPO)** of China Risun Group Ltd () (Code: 1907, Main Board, The Stock Exchange of Hongkong Ltd), approximately 40 percent, that is about \$HK629.30 million, is earmarked to be used in order to ameliorate the Company's debt burden with regard to onshore and offshore lenders, standing at about \$HK668.90 million, as at the date of the publication and dissemination of the Company's Global Offering Prospectus, being February 28, 2019.

What effect those financial '*crumbs*' would have on the total borrowings of this Company, standing at about 8.89 billion renminbi (about \$HK10.33 billion), as at December 31, 2018, is difficult to fathom.

Which makes one ponder whether or not Senior Management of China Risun Group Ltd had been nudged by the managements of certain lenders to demonstrate the Company's express willingness to comply with direct (or indirect) strong suggestions in respect of the current debt load that was standing at 7,618 billion renminbi (about \$HK8.85 billion), as at December 31, 2018.

All this and, most likely, much more despite prognostications from Senior Management of China Risun Group Ltd that the Net Profits Attributable to Shareholders in respect of the 2018 Financial Year could hit a record high level of \$HK2.35 billion – or more.

The Business Of China Risun Group Ltd

China Risun Group Ltd describes its activities as being ‘*an integrated coke, coking chemical and refined chemical producer and supplier in China.*’

In fact, the Company makes the claim of being ‘*the world’s largest independent producer and supplier of coke by volume in 2017, according to Frost & Sullivan. We also held leading positions in a number of refined chemical sectors in China or globally.*’

The Company is about 24 years old.

Its history can be traced to May 12, 1995, with the commencement of trading of Xingtai Risun Trading Ltd (), a limited liability company, incorporated in the **People’s Republic of China (PRC)**, proper, being separate and distinct from the Hongkong Special Administrative Region (HKSAR) of the PRC, as Xingtai Risun Coking Ltd ().

It was at about that time, some 24 years ago, that Mr Yang Xue Gang () became the General Manager of Xingtai Risun Trading Ltd.

About four years later, in November of 1999, Mr Yang Xue Gang acquired a majority equity stake in that company which is, today, a wholly owned subsidiary of China Risun Group Ltd.

A business ‘**OVERVIEW**’ of China Risun Group Ltd was given to prospective investors at Pages 137 through to 139 of the Global Offering Prospectus as follows:

‘We are an integrated coke, coking chemical and refined chemical producer and supplier in China. We were the world’s largest independent producer and supplier of coke by volume in 2017, according to Frost & Sullivan. We also held leading positions in a number of refined chemical sectors in China or globally. According to Frost & Sullivan, we were the largest producer of industrial-naphthalene-based phthalic anhydride and coke-oven-gas-based methanol by volume in China in 2017. We were also the largest coking crude benzene processor and the fifth largest coal tar processor by volume globally in 2017.

‘Our Business Segments

‘Our business consists of three segments:

- *Coke and coking chemicals. Coke is our primary product. Our coking chemical products principally include coal tar, coke oven gas and crude benzene, which are by-products from the production of coke and mainly used as raw materials in the production of refined chemicals;*
- *Refined chemicals. Our refined chemical products principally include carbon material chemicals, alcohol-ether chemicals and aromatic chemicals; and*
- *Trading. We engage in the trading of coal, coke and refined chemicals.*

‘We provided operation management and technology output services to third-party producers during the Track Record Period (the 45 months, ended September 30, 2018). The income from such management services are included in the trading segment...

‘Our Production Bases and Transportation Arrangements

‘We have four production bases in Hebei province in China: Xingtai Production Base, Dingzhou Production Base, Tangshan Production Base and Cangzhou Production Base, all of which are located in industrial parks approved by PRC governmental authorities. We have four coke and coking chemical production lines, seven carbon material chemical production lines, five alcohol-ether chemical production lines and six aromatic chemical production lines located in these four production bases. In addition, CNC Risun Coking (Hebei China Coal Risun Coking Ltd [], a limited liability company established in the PRC on November 21, 2003) our joint venture, has four coke and coking chemical production lines and one alcohol-ether chemical production line in our Xingtai Production Base. Jinniu Risun Chemicals (Hebei Jinniu Risun Chemicals Ltd []), our associate, has one alcohol-ether chemical production line in our Xingtai Production Base. Cabot Risun Chemicals (Cabot Risun Chemicals [Xingtai] Company Ltd [(O)]), our associate, has one carbon material chemical production line in our Xingtai Production Base. ...

‘Our production bases are located near many of our major customers and suppliers and transportation infrastructure, such as national railway networks, major highways, expressways and ports, which provide us with alternative transportation methods. We have a private railway connecting our Dingzhou Production Base to the Beijing-Guangzhou railway. Our Tangshan Production Base is located near the Jingtang Port, Hebei province, and our Cangzhou Production Base is located near the Huanghua Port, Hebei Province.

‘We have maintained a stable relationship with China Railway Beijing Group Co., Ltd. (), with whom we have entered into annual transportation capacity guarantee agreements. These arrangements help ensure timely delivery of our raw materials and products, and efficient control of logistics costs.’

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