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Jilin Province Chuncheng Heating Company Limited*
吉林省春城熱力股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)
(Stock code: 1853)

DISCLOSEABLE TRANSACTION:
PROPOSED ACQUISITION OF 50% EQUITY INTERESTS IN
CHANGCHUN FAW SIHUAN KINETIC COMPANY LIMITED*

The Board is pleased to announce that on 8 June 2020 (after trading hours), the Company and the Vendor entered into the Equity Interest Transfer Agreement, pursuant to which the Company has agreed to acquire and the Vendor has agreed to dispose the Equity Interests in the Target Company for a consideration of RMB52 million in accordance with the terms and conditions of the Equity Interest Transfer Agreement.

The Consideration shall be satisfied by: (i) the payment of RMB33.8 million within 1 business day from the signing and effective date of the Equity Interest Transfer Agreement; and (ii) RMB18.2 million within 1 business day after the completion of the registration to the relevant government authorities of the change in title of the Equity Interests to the Company.

LISTING RULES IMPLICATION

As the applicable percentage ratios for the transaction under the Equity Interest Transfer Agreement are more than 5% but less than 25%, the Equity Interest Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under Rule 14.07 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 8 June 2020 (after trading hours), the Company and the Vendor entered into the Equity Interest Transfer Agreement, pursuant to which the Company has agreed to acquire and the Vendor has agreed to dispose the Equity Interests in the Target Company for a consideration of RMB52 million in accordance with the terms and conditions of the Equity Interest Transfer Agreement.

THE EQUITY INTEREST TRANSFER AGREEMENT

The principal terms of the Equity Interest Transfer Agreement are set out below:

Date: 8 June 2020

Parties: (i) the Company as the purchaser; and
(ii) Changchun FAWSN Group Co., Ltd.* as the Vendor

The Vendor is a limited liability company established in the PRC on 19 June 1985. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its beneficial owners are Independent Third Parties.

Acquisition of the Equity Interests

Pursuant to the Equity Interest Transfer Agreement, the Company has agreed to purchase the Equity Interests, representing 50% of the equity interests in the Target Company as at the date of this announcement.

Consideration

The Consideration for the Equity Interests is RMB52 million (equivalent to approximately HK\$56.7 million), which shall be satisfied in cash by: (i) the payment of RMB33.8 million within 1 business day from the signing and effective date of the Equity Interest Transfer Agreement; and (ii) RMB18.2 million within 1 business day after the completion of the registration to the relevant government authorities of the change in title of the Equity Interests to the Company. The Consideration has been arrived at after arm's length negotiations between the Company and the Vendor with reference to the historical financial performance and position of the Target Company, the trading multiples of companies listed in the PRC and Hong Kong with similar business nature as that of the Target Company, and the reasons as set out in the section headed "Reasons for and benefits of the Acquisition" below.

The Company will utilise all of its net proceeds from the public offering which was intended for potential acquisitions of heat service companies to complement its existing heat supply operations to partially fund the Consideration, and will utilise the Group's internal resource to fund the remaining part of the Consideration.

Having considered the factors taken into account by the parties in arriving at the Consideration, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Completion

Completion for the Acquisition shall take place on the date of completion of the registration to the relevant government authorities of the change in title of the Equity Interests to the Company. Pursuant to the Equity Interest Transfer Agreement, the Vendor will assist in the submission of the application to the relevant government authorities for the change in title of the Equity Interests to the Company

Upon the completion of the Acquisition, the Target Company will become a wholly owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the books of the Company.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the PRC which primarily engaged in the production and supply of heat, supply of hot water, construction of heating pipelines and maintenance of heating facilities. As at the date of this announcement, the Target Company is legally and beneficially owned as to 50% by the Company and 50% by the Vendor and is accounted for as a joint venture of the Company.

Set out below is a summary of the unaudited consolidated financial information of the Target Company, prepared in accordance with the generally accepted accounting principles in the PRC, for the two years ended 31 December 2019:

| | For the year ended 31 December 2018 <i>RMB'000</i> | For the year ended 31 December 2019 <i>RMB'000</i> |
|----------------------------|---|---|
| Turnover | 91,821 | 92,149 |
| Net profit before taxation | 10,263 | 9,280 |
| Net profit after taxation | 7,632 | 6,499 |

The unaudited consolidated net asset value of the Target Company as at 31 December 2019 was approximately RMB80.3 million (equivalent to approximately HK\$87.5 million).

INFORMATION ON THE GROUP AND THE VENDOR

The Company is a China-based company mainly engaged in heating service business. The Company operates its business through two segments, namely heat supply segment and construction, maintenance and design services segment. Heat supply segment mainly provides heat supply services within Jilin Province. Construction, maintenance and design services segment mainly provides maintenance related services such as engineering construction, engineering maintenance, design, electrical appliances and instrument maintenance. The Company mainly conducts its business in the Chinese domestic market.

The Vendor, together with its subsidiaries, is mainly engaged in the manufacturing of automotive spare parts and provision of logistic service.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company has been a profitable business. The financial performance of the Group has benefitted from the positive earnings contributed by the Target Company as one of its major shareholders.

Furthermore, given the principal business of the Target Company includes engaging in the production and supply of heat, supply of hot water, construction of heating pipelines and maintenance of heating facilities, the Directors consider that the Acquisition will create synergy with the existing business of the Group, and will enhance the competitive advantages of the Group in the industry.

In view of the above, the Directors consider that the Acquisition has been made on normal commercial terms and the Consideration and terms in the Equity Interest Transfer Agreement are fair and reasonable as far as the Company and the Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios for the transaction under the Equity Interest Transfer Agreement are more than 5% but less than 25%, the Equity Interest Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under Rule 14.07 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the same following meanings as set out below:

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|--------------------------------------|--|
| “Acquisition” | the proposed acquisition of the Equity Interests in the Target Company by the Company from the Vendor in accordance with the terms and conditions of the Equity Interest Transfer Agreement |
| “Equity Interest Transfer Agreement” | the equity interest transfer agreement dated 8 June 2020 and entered into between the Company and the Vendor in relation to the Acquisition |
| “Board” | the board of Directors |
| “Company” | Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司), a company incorporated in the PRC on 23 October 2017, is currently a joint stock company, and the H Shares of which are listed on the main board of the Stock Exchange (stock code: 1853) |
| “Consideration” | RMB52 million |
| “Director(s)” | the director(s) of the Company |
| “Equity Interests” | 50% of the equity interests in the Target Company |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | independent third party(ies) not connected with the Company and its connected persons within the meaning of the Listing Rules |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Share(s)” | ordinary shares of the Company |
| “Shareholder(s)” | holder(s) of issued Share(s) |

| | |
|------------------|--|
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Changchun FAW Sihuan Kinetic Company Limited* (長春一汽四環動能有限公司), a joint venture company in which is primarily engaged in the production and supply of heat, supply of hot water, construction of heating pipelines and maintenance of heating facilities |
| “Vendor” | Changchun FAWSN Group Co., Ltd.* (長春一汽富晟集團有限公司), a limited liability company established in the PRC on 19 June 1985 and an Independent Third Party |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “%” | per cent. |

By Order of the Board
Jilin Province Chuncheng Heating Company Limited*
LIU Changchun
Chairman

Jilin, the PRC, 8 June 2020

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.09. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

As at the date of this announcement, the non-executive Director of the Company is Mr. Liu Changchun (Chairman); the executive Directors of the Company are Mr. Yang Zhongshi, Mr. Shi Mingjun, Mr. Xu Chungang and Mr. Li Yeji; and the independent non-executive Directors of the Company are Mr. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man.

* For identification purpose only