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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)

TERMINATION OF CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of Jilin Province Chuncheng Heating Company Limited* (the “**Company**”) dated 11 October 2023 (the “**Announcement**”) in relation to, among others, the 2024–2026 Entrusted Management Framework Agreement entered into between the Company and Chuncheng Investment for a term from 1 January 2024 to 31 December 2026, whereby Chuncheng Investment agrees to entrust the Company with the right to operate and manage the heat supply business of the Entrusted Companies. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

The Board wishes to announce that on 19 September 2024, the Company entered into a termination agreement (the “**Termination Agreement**”) with Chuncheng Investment, pursuant to which the 2024–2026 Entrusted Management Framework Agreement shall be terminated with effect from 19 September 2024 (the “**Termination**”). As at the date of the Termination Agreement, the outstanding entrusted management fees amounted to RMB2,473,768 and shall be payable by Chuncheng Investment to the Company within 30 working days upon the execution of the Termination Agreement. Upon such termination, save for the aforementioned outstanding entrusted management fees, all rights and obligations of the parties to the 2024–2026 Entrusted Management Framework Agreement shall cease and no party shall have any claim against each other in connection with the 2024–2026 Entrusted Management Framework Agreement.

REASONS FOR EARLY TERMINATION OF THE 2024–2026 ENTRUSTED MANAGEMENT FRAMEWORK AGREEMENT

As disclosed in the Announcement, the 2024–2026 Entrusted Management Framework Agreement was entered into as an interim measure in response to the proposed A Share listing and the requirements of the Shenzhen Stock Exchange.

Given the Company has withdrawn its application for the proposed A Share listing in June 2024 and the Termination would enable the Group to reduce the extent of continuing connected transactions between the Group and Chuncheng Investment and optimize the Group’s allocation of manpower, the Directors (including the independent non-executive Directors) are of the view that the termination of the 2024–2026 Entrusted Management Framework Agreement is in the interests of the Company and the Shareholders as a whole.

In addition, pursuant to the Non-competition Agreement, Chuncheng Investment has undertaken that, among others, during the term of the Non-competition Agreement, if Chuncheng Investment intends to transfer, sell, lease, license or otherwise dispose of the Entrusted Companies to any third parties, it shall immediately notify the Company in writing of its intention and procure all necessary information to facilitate an investment decision be made available to the Company. The Company has also been granted a right to acquire the Entrusted Companies from Chuncheng Investment at any time whether or not Chuncheng Investment intends to dispose of its interests in such Entrusted Companies. In view of the above, the Directors (including the independent non-executive Directors) consider that despite the Termination, the Company has sufficient safeguards to minimize any direct or indirect competition between the Group and Chuncheng Investment. Please refer to the section headed “Relationship with our Controlling Shareholder — Non-competition Agreement” in the Company’s prospectus dated 27 September 2019 for further details of the non-competition undertakings.

In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Termination Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board considers that the Termination will not cause any material adverse impact on the business, operation or financial condition of the Group.

Since Mr. Song Chi is the party secretary and chairman of Chuncheng Investment, Mr. Song Chi is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting to approve the Termination Agreement. Save as disclosed above, none of the Directors attending the Board meeting has a material interest in or is required to abstain from voting on the Termination Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Chuncheng Investment is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company and thus a connected person of the Company. Accordingly, the transactions contemplated under the 2024–2026 Entrusted Management Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the Termination Agreement is subject to the announcement requirement under Rule 14A.35 of the Listing Rules.

By order of the Board
Jilin Province Chuncheng Heating Company Limited*
SONG Chi
Chairman

Jilin, the PRC, 19 September 2024

As at the date of this announcement, the non-executive Director of the Company is Mr. Song Chi (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. Fu Yachen, Mr. Poon Pok Man and Ms. Zhang Yan.

* *For identification purpose only*