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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)

- (1) CONNECTED AND DISCLOSEABLE TRANSACTION:
ACQUISITION OF ASSETS; AND
(2) CONNECTED AND MAJOR TRANSACTION:
PROVISION OF THE LOAN**

THE PROPOSED ACQUISITION

The Board announces that on 1 November 2024 (after trading hours), the Company and Chuncheng Investment, a controlling shareholder of the Company, entered into the Second Assets Transfer Agreement, pursuant to which the Company has conditionally agreed to purchase, and Chuncheng Investment has conditionally agreed to sell, the Assets for the Consideration of RMB82,886,461.00 in accordance with the terms and conditions of the Second Assets Transfer Agreement.

THE PROVISION OF THE LOAN

The Board announces that on 1 November 2024 (after trading hours), the Company, as lender, and Chuncheng Investment, a controlling shareholder of the Company, as borrower, entered into the Loan Agreement, pursuant to which the Company has agreed to advance the Loan in an amount of not more than RMB300 million to Chuncheng Investment in accordance with the terms and conditions of the Loan Agreement.

LISTING RULES IMPLICATIONS

A. The Proposed Acquisition

Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the First Assets Transfer Agreement and the Second Assets Transfer Agreement shall be aggregated because both agreements are entered into with Churcheng Investment and both transactions involve the acquisition of assets which were used by Churcheng Investment for heat production purposes.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition (on a standalone basis or when aggregated with the transactions contemplated under the First Assets Transfer Agreement) exceed(s) 5% but all of them are less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements thereunder.

Given that Churcheng Investment is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company as at the date of the Second Assets Transfer Agreement, Churcheng Investment is a connected person of the Company and the Proposed Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition (on a standalone basis or when aggregated with the transactions contemplated under the First Assets Transfer Agreement) exceed(s) 5%, the Proposed Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. The Provision of the Loan

As the assets ratio (as defined in the Listing Rules) in respect of the Loan exceeded 8%, the Loan is subject to the announcement requirements under Rule 13.13 of the Listing Rules.

As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Loan exceeds 25%, the provision of the Loan constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements thereunder.

Given that Chuncheng Investment is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company as at the date of the Loan Agreement, Chuncheng Investment is a connected person of the Company and the provision of the Loan constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As more than one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Loan exceed 5%, the provision of the Loan is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders as to (1) the Second Assets Transfer Agreement and the transactions contemplated thereunder; and (2) the Loan Agreement and the transactions contemplated thereunder.

The Independent Financial Adviser, Giraffe Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (1) the Second Assets Transfer Agreement and the transactions contemplated thereunder; and (2) the Loan Agreement and the transactions contemplated thereunder.

A circular containing, among others, (1) further details of the Second Assets Transfer Agreement and the Loan Agreement; (2) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Second Assets Transfer Agreement and the Loan Agreement; (3) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Second Assets Transfer Agreement and the Loan Agreement; (4) the valuation report on the Assets; and (5) further information required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 10 December 2024 to allow sufficient time to finalize the contents of the circular.

I. THE PROPOSED ACQUISITION

The Board announces that on 1 November 2024 (after trading hours), the Company and Chuncheng Investment, a controlling shareholder of the Company, entered into the Second Assets Transfer Agreement, pursuant to which the Company has conditionally agreed to purchase, and Chuncheng Investment has conditionally agreed to sell, the Assets in accordance with the terms and conditions of the Second Assets Transfer Agreement.

A. The Second Assets Transfer Agreement

Set out below are the major terms of the Second Assets Transfer Agreement:

(i) *Date*

1 November 2024

(ii) *Parties*

(a) The Company, as the purchaser

(b) Chuncheng Investment, as the vendor

(iii) *Assets to be acquired*

Pursuant to the Second Assets Transfer Agreement, the Company has conditionally agreed to purchase, and Chuncheng Investment has conditionally agreed to sell, the Assets, subject to the terms and conditions therein.

The Assets comprise certain structures, coal-fired boilers and ancillary equipment currently used by Chuncheng Investment for heat production purposes. According to the information provided by Chuncheng Investment, the book value of the Assets amounted to RMB42,111,854.46 as at 31 August 2024.

(iv) *Consideration*

The Consideration is RMB82,886,461.00, which shall be satisfied by the Company in cash on the Completion Date.

The Consideration has been arrived at after arm's length negotiations between the Company and Chuncheng Investment with reference to the total appraised value of the Assets of RMB82,886,461.00 as at 31 August 2024 (the "**Valuation Date**") as stated in the assets valuation report prepared by the Valuer, using the cost method. The Group intends to finance the Consideration by its existing internal resources.

Having considered the factors taken into account by the parties in arriving at the Consideration and the valuation methods and assumptions adopted by the Valuer, the Directors (excluding (a) Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting; and (b) the independent non-executive Directors whose view will be set out in the circular to be issued by the Company after taking into consideration the

advice of the Independent Financial Adviser) are of the view that the Consideration is fair and reasonable and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

(v) *Conditions precedent*

Completion is conditional upon the following conditions having been fulfilled:

- (a) Chuncheng Investment having completed the applicable internal decision-making procedure in respect of the Second Assets Transfer Agreement and the transactions contemplated thereunder in accordance with the requirements of its articles of association;
- (b) the Second Assets Transfer Agreement and the transactions contemplated thereunder having been approved by the Board and the Shareholders at general meeting of the Company in accordance with the requirements of the Listing Rules, the Articles of Association and applicable laws and regulations; and
- (c) (where applicable) as regards the entering into and performance of the Second Assets Transfer Agreement, each of Chuncheng Investment and the Company having obtained and completed all necessary consents, approvals and filings from or with any relevant governmental or regulatory authorities in the PRC, Hong Kong or other jurisdictions.

None of the conditions above may be waived (whether in whole or in part) by either party.

(vi) *Completion*

Upon the fulfilment of all of the conditions precedent set out in the Second Assets Transfer Agreement, Completion shall take place on the Completion Date.

With effect from the Completion Date, all interests, rights and obligations attached to the Assets shall be transferred from Chuncheng Investment to the Company.

B. Reasons for and benefits of the Proposed Acquisition

Since the Company is mainly engaged in heating service business and the Assets are used for heat production purposes, the Company is of the view that the Proposed Acquisition would enable the Group to further enhance its heat production efficiency, optimize the structure of the Group's heat supply business, increase its capabilities on heat source protection, significantly reduce the extent of continuing connected transactions between the Group and Chuncheng Investment Group as well as minimize any potential competition between the Group and Chuncheng Investment Group, which in turn is beneficial to the Group's overall strategic development.

Based on the above, the Directors (excluding (a) Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting; and (b) the independent non-executive Directors whose view will be set out in the circular to be issued by the Company after taking into consideration the advice of the Independent Financial Adviser) consider that the terms of the Second Assets Transfer Agreement are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

II. THE PROVISION OF THE LOAN

The Board announces that on 1 November 2024 (after trading hours), the Company, as lender, and Chuncheng Investment, a controlling shareholder of the Company, as borrower, entered into the Loan Agreement.

A. The Loan Agreement

Set out below are the major terms of the Loan Agreement:

Date:	1 November 2024
Lender:	the Company
Borrower:	Chuncheng Investment
Amount of the Loan:	Not more than RMB300 million

During the term of the Loan, Chuncheng Investment may draw down the Loan in one or more tranches by providing the Company with a drawdown request (the “**Drawdown Request**”), specifying the intended drawdown amount. Within 15 business days of receiving the Drawdown Request, the Company shall inform Chuncheng Investment whether or not the Company accepts such Drawdown Request and make available such funds to Chuncheng Investment if such Drawdown Request is accepted. The Company has absolute discretion in determining whether to accept any Drawdown Request.

Interest rate:

4.5% per annum

The interest rate was arrived at after arm’s length negotiations between the Company and Chuncheng Investment having taking into consideration the prevailing market interest rates.

Interest shall be payable by Chuncheng Investment to the Company by the 15th calendar day of the month following the end of each quarter.

Term of the Loan:

From the date when the Independent Shareholders approved the Loan Agreement at the EGM up to 31 December 2029 (the “**Maturity Date**”) (both days inclusive)

Maturity and repayment:

Chuncheng Investment shall repay the Loan together with any accrued interest in full on the Maturity Date.

Upon obtaining the Company’s prior consent, Chuncheng Investment may repay the Loan or any part thereof at any time before the Maturity Date without penalty.

Purpose of the Loan: The Loan is provided to Chuncheng Investment for its No. 2 thermal power plant's "Retreat from the City and Enter into the Suburbs Project" (退城進郊項目), transformation of old pipe network(s), as well as to supplement Chuncheng Investment Group's general working capital.

B. Reasons for and benefits of the provision of the Loan

Having considered (a) Chuncheng Investment's demand for capital funds as a result of its "Retreat from the City and Enter into the Suburbs Project" (退城進郊項目) and the transformation of old pipe network(s) project (老舊管網改造項目); and (b) the Company's current available cash balances, the Company considered it in the interests of the Company and its Shareholders as a whole to grant the Loan to Chuncheng Investment which not only could better ensure Chuncheng Investment (the Company's controlling shareholder) has a smooth cashflow but at the same time could generate interest income to the Company. In addition, given the interest rate to be charged by the Company in relation to the Loan is above the deposit interest rate offered by other banks, the Company is able to generate higher interest income through the provision of the Loan than depositing the cash with the banks.

The terms of the Loan Agreement (including the interest rate) are negotiated on an arm's length basis between the Company and Chuncheng Investment having taken into account the prevailing market interest rates and practices.

The Company will finance the Loan under the Loan Agreement with its existing internal resources.

In view of the above, the Directors (excluding (a) Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting; and (b) the independent non-executive Directors whose view will be set out in the circular to be issued by the Company after taking into consideration the advice of the Independent Financial Adviser) consider that the terms of the Loan Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

III. FURTHER INFORMATION ON THE COMPANY AND CHUNCHENG INVESTMENT

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.

Chuncheng Investment is a state-owned company established on 28 April 1998 in Changchun City, the PRC, and is wholly-owned by the State-owned Assets Supervision and Administration Commission of Changchun (長春市人民政府國有資產監督管理委員會). Chuncheng Investment and its subsidiaries are mainly engaged in property management, water supply, pipeline manufacturing, heat production and supply, sale of industrial steam and financial investments.

IV. LISTING RULES IMPLICATIONS

A. The Proposed Acquisition

Reference is made to the Company's announcements dated 19 March 2024 and 22 March 2024 in relation to the First Assets Transfer Agreement.

Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the First Assets Transfer Agreement and the Second Assets Transfer Agreement shall be aggregated because both agreements are entered into with Chuncheng Investment and both transactions involve the acquisition of assets which were used by Chuncheng Investment for heat production purposes.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition (on a standalone basis or when aggregated with the transactions contemplated under the First Assets Transfer Agreement) exceed(s) 5% but all of them are less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements thereunder.

Given that Chuncheng Investment is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company as at the date of the Second Assets Transfer Agreement, Chuncheng Investment is a connected person of the Company and the Proposed Acquisition constitutes a connected transaction for the Company under

Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition (on a standalone basis or when aggregated with the transactions contemplated under the First Assets Transfer Agreement) exceed(s) 5%, the Proposed Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. The Provision of the Loan

As the assets ratio (as defined in the Listing Rules) in respect of the Loan exceeded 8%, the Loan is subject to the announcement requirements under Rule 13.13 of the Listing Rules.

As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Loan exceeds 25%, the provision of the Loan constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements thereunder.

Given that Chuncheng Investment is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company as at the date of the Loan Agreement, Chuncheng Investment is a connected person of the Company and the provision of the Loan constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As more than one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Loan exceed 5%, the provision of the Loan is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

V. GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders as to (1) the Second Assets Transfer Agreement and the transactions contemplated thereunder; and (2) the Loan Agreement and the transactions contemplated thereunder.

The Independent Financial Adviser, Giraffe Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (1) the Second Assets Transfer Agreement and the transactions contemplated thereunder; and (2) the Loan Agreement and the transactions contemplated thereunder.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, among others, (1) the Second Assets Transfer Agreement and the transactions contemplated thereunder; and (2) the Loan Agreements and the transactions contemplated thereunder.

Shareholders who have a material interest are required to abstain from voting in respect of the resolutions in respect of (1) the Second Assets Transfer Agreement and the transactions contemplated thereunder; and (2) the Loan Agreement and the transactions contemplated thereunder at the EGM. As at the date of this announcement, Chuncheng Investment holds 325,500,000 Domestic Shares, representing approximately 69.75% of the total share capital of the Company. Chuncheng Investment and its associates will abstain from voting on the resolutions to be proposed at the EGM in respect of (1) the Second Assets Transfer Agreement and the transactions contemplated thereunder; and (2) the Loan Agreement and the transactions contemplated thereunder.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting in respect of the resolutions in respect of (1) the Second Assets Transfer Agreement and the transactions contemplated thereunder; and (2) the Loan Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among others, (1) further details of the Second Assets Transfer Agreement and the Loan Agreement; (2) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Second Assets Transfer Agreement and the Loan Agreement; (3) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Second Assets Transfer Agreement and the Loan Agreement; (4) the valuation report on the Assets; and (5) further information required to be disclosed under the Listing Rules, is expected to be despatched to the Shareholders on or before 10 December 2024 to allow sufficient time to finalize the contents of the circular.

VI. DEFINITIONS

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

“Articles of Association”	the articles of association of the Company
“Assets”	certain structures, coal-fired boilers and ancillary equipment currently used by Chuncheng Investment for heat production purposes
“Board”	the board of Directors

“Chuncheng Investment”	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司), a controlling shareholder of the Company
“Chuncheng Investment Group”	Chuncheng Investment and its subsidiaries (other than the Group)
“Company”	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司), presently a joint stock company with limited liability which was incorporated in the PRC on 23 October 2017 and the H Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Proposed Acquisition
“Completion Date”	the 15th business day after the fulfilment of all the conditions precedent set out in the Second Assets Transfer Agreement or such other date as agreed by the parties thereto
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration payable by the Company to Chuncheng Investment for the Proposed Acquisition
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic Share(s), which are subscribed for in RMB and held by PRC nationals or PRC incorporated entities, and are not listed or traded on any stock exchange

“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve, among others (1) the Second Assets Transfer Agreement and the transactions contemplated thereunder; and (2) the Loan Agreement and the transactions contemplated thereunder
“First Assets Transfer Agreement”	the assets transfer agreement dated 19 March 2024 and entered into between Yatai Heating and Chuncheng Investment, further details of which are disclosed in the Company’s announcement dated 19 March 2024
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	overseas listed foreign Share(s), which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Fu Yachen, Mr. Poon Pok Man and Ms. Zhang Yan, and formed to advise the Independent Shareholders in relation to (1) the Second Assets Transfer Agreement and the transactions contemplated thereunder; and (2) the Loan Agreement and the transactions contemplated thereunder

“Independent Financial Adviser”	Giraffe Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (1) the Second Assets Transfer Agreement and the transactions contemplated thereunder; and (2) the Loan Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) who is/are not required under the Listing Rules to abstain from voting on the resolution(s) for approving, among others, (1) the Second Assets Transfer Agreement and the transactions contemplated thereunder; and (2) the Loan Agreement and the transactions contemplated thereunder at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the amount of not more than RMB300 million to be provided by the Company to Chuncheng Investment
“Loan Agreement”	the loan agreement dated 1 November 2024 and entered into between the Company and Chuncheng Investment in respect of the Loan
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Proposed Acquisition”	the proposed acquisition of the Assets by the Company from Chuncheng Investment pursuant to the terms and conditions of the Second Assets Transfer Agreement
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Second Assets Transfer Agreement”	the assets transfer agreement dated 1 November 2024 and entered into between the Company and Chuncheng Investment in relation to the Proposed Acquisition
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Valuation Date”	31 August 2024
“Valuer”	Beijing Zhong Ping Heng Xin Asset Appraisal Co., Ltd.* (北京中評恒信資產評估有限責任公司), an independent valuer
“Yatai Heating”	Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司), a wholly-owned subsidiary of the Company
“%”	per cent.

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

Jilin, the PRC, 1 November 2024

As at the date of this announcement, the non-executive Director is Mr. Song Chi (Chairman); the executive Directors are Mr. Yang Zhongshi, Mr. Shi Mingjun, Mr. Xu Chungang and Mr. Li Yeji; and the independent non-executive Directors are Mr. Fu Yachen, Mr. Poon Pok Man and Ms. Zhang Yan.

* For identification purpose only