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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 PROVISION OF THE LOAN SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement (the “**Announcement**”) of Jilin Province Chuncheng Heating Company Limited* (the “**Company**”) dated 11 December 2024 in relation to the provision of a RMB138 million loan by the Company to Changchun Urban Pipeline Construction Investment (Group) Co., Ltd.* (長春城市管線建設投資(集團)有限公司) (the “**Borrower**”). Unless otherwise defined herein, terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board would like to provide the shareholders and investors of the Company with additional information relating to the provision of the Loan.

BASIS FOR DETERMINATION OF THE INTEREST RATE

The Loan bears an interest rate of 4.5% per annum which was arrived at after arm's length negotiations between the Company and the Borrower having taking into consideration the prevailing market interest rates.

REASONS FOR AND BENEFITS OF THE PROVISION OF THE LOAN

As stated in the Announcement, the Borrower is a wholly-owned subsidiary of Changchun Urban Development and is principally engaged in urban infrastructure investment and financing, development and construction as well as operation management and services. Since Changchun Urban Development undertakes the investment and management of major projects in Changchun city and the Borrower, being Changchun Urban Development's wholly-owned subsidiary, undertakes the urban construction and operation management of Changchun Urban Development's municipal engineering projects.

Changchun Urban Development is a state-owned enterprise which is wholly-owned by Changchun State-owned Assets Supervision and Administration Commission and has a registered share capital of approximately RMB5,022 million and total assets of over RMB332 billion. Based on the information provided by the Borrower, the Borrower has net assets of approximately RMB800 million as at 31 December 2023 and generated approximately RMB480 million operating cash flow in the financial year ended 31 December 2023.

Having considered the financial position of the Borrower and its sole shareholder (i.e. Changchun Urban Development), the creditworthiness of the Borrower, the business prospects of the Borrower and the Borrower's historical operating cash inflow which exceeds the amount of the Loan, the Company considered that the recoverability risk of the Loan is low and hence whilst the Loan is unsecured, the terms of the Loan are still fair and reasonable and in the interests of the Company and its shareholders as a whole.

As further disclosed in the Announcement, the deposit interest rate offered by other banks was only approximately 1.05% to 1.15% per annum. As at 31 October 2024, the Company has outstanding bank borrowings which are repayable within one year of approximately RMB615.55 million. Such bank borrowings bear an interest rate of 3.2% to 3.4%. As such, taking into account the current bank deposit interest rates, the interest rate of the Company's existing bank borrowings and the possible interest income generated to the Company through the provision of the Loan, the Company is still able to benefit from interest rate arbitrage.

The Company would like to emphasize that the Group has been generating profits and maintains a relatively stable cash flow in recent years. Due to seasonable operating factors, the Group's cash balance is generally lower in the first half of the year because the heat supply period begins in October every year and the Group generally commences receiving heat fees from its customers in the second half of the year. Having considered the cash inflows generated during the heat supply period and taking into consideration the Loan granted to the Borrower (i.e. RMB138 million) and the loan to be granted to Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司) (i.e. RMB300 million), subject to independent shareholders' approval, the Group still has sufficient working capital to support its daily operations.

Save as disclosed above, all other information set out in the Announcement remain unchanged. This supplemental announcement is supplemental to and should be read in conjunction with the Announcement.

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

Jilin, the PRC, 16 December 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*