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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)

CONTINUING CONNECTED TRANSACTION

**PROCUREMENT OF HEAT BY XIXING ENERGY FROM
DATANG JV FOR THE YEAR ENDED 31 DECEMBER 2020**

On 16 October 2020, Xixing Energy and Datang JV entered into the 2020 Heat Supply Agreement, pursuant to which Xixing Energy shall procure heat from Datang JV in the 2020-2021 heat supply period (i.e. from 20 October 2020 to 6 April 2021) according to its demand.

Changchun Heating Group, the controlling shareholder of the Company, holds 35% equity interests in Datang JV and hence Datang JV is an associate of Changchun Heating Group and a connected person of the Company under Chapter 14A of the Listing Rules. Upon completion of the Xixing Energy Acquisition on 11 June 2020, Xixing Energy became a wholly-owned subsidiary of the Company and, therefore, the transactions between Datang JV and Xixing Energy constituted a connected transaction of the Company.

Given Xixing Energy's procurement of heat from Datang JV only takes place during the heat supply period which runs from October to April of the following year, as at completion of the Xixing Energy Acquisition, there was no prevailing contract between Xixing Energy and Datang JV regarding heat procurement and Xixing Energy has not purchased any heat from Datang JV between 11 June 2020 and 19 October 2020. With the entering into of the 2020 Heat Supply Agreement, Xixing Energy began to purchase heat from Datang JV and from 20 October 2020 up to mid-November 2020, the transaction amount under the 2020 Heat Supply Agreement has not exceed the fully exempt threshold in relation to the de minimis transactions under Rule 14A.76 of the Listing Rules.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules for the Datang JV Heat Procurement CCT are over 0.1% but all of them are less than 5%, the Datang JV Heat Procurement CCT is subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Due to an inadvertent and unintentional oversight by Xixing Energy's operations division who was then not familiar with the requirements of the Listing Rules, the Board was not aware of the Datang JV Heat Procurement CCT at the material time and hence the Company has neither announced the Datang JV Heat Procurement CCT in a timely manner nor set an annual cap for the Datang JV Heat Procurement CCT as required by Rules 14A.35 and 14A.53 of the Listing Rules, respectively, and accordingly the auditor's confirmation to the Board has not covered the confirmation on whether the relevant annual cap has been exceeded as required by Rule 14A.56(4) of the Listing Rules.

Given the convenient proximity of Datang JV, it is expected that Xixing Energy will continue to procure heat from Datang JV in future heat supply periods. Accordingly, on 29 March 2021, the Company (for itself and on behalf of its subsidiaries) entered into the 2021-2023 Heat Supply Framework Agreement with Datang JV for a term from 29 March 2021 to 31 December 2023 to regulate such procurement of heat from Datang JV. Details of the 2021-2023 Heat Supply Framework Agreement are set out in the announcement of the Company dated 29 March 2021.

THE 2020 HEAT SUPPLY AGREEMENT

On 16 October 2020, Xixing Energy and Datang JV entered into the 2020 Heat Supply Agreement, pursuant to which Xixing Energy shall procure heat from Datang JV in the 2020-2021 heat supply period according to its demand.

The 2020 Heat Supply Agreement was for a term from 20 October 2020 to 6 April 2021.

Pursuant to the 2020 Heat Supply Agreement, the heat procurement price for non-peak period is RMB40.5/GJ or, if Datang Changchun No. 3 Co-generation Power Plant (大唐長春第三熱電廠) adjusted its heat price, the heat procurement price would be the revised heat price plus RMB6.5/GJ. The heat procurement price for peak period is the heat procurement price procured from the heat sources of Datang JV plus RMB6.5/GJ. During the period from 20 October 2020 to 31 December 2020, the total amount paid by Xixing Energy to Datang JV for heat procurement amounted to approximately RMB10.0 million.

INFORMATION OF THE PARTIES INVOLVED AND REASONS FOR ENTERING INTO OF THE 2020 HEAT SUPPLY AGREEMENT

Xixing Energy is primarily engaged in the production and supply of heat, supply of hot water, construction of heating pipelines and maintenance of heating facilities while Datang JV is principally engaged in the provision of heat supply, construction, maintenance and distribution services to the automobile development zone in Changchun City.

Xixing Energy has operations in Datang JV's heat service area, i.e. the automobile development zone in Changchun City. As such, Xixing Energy has been purchasing heat from Datang JV since the 2019-2020 heat supply period which commenced in October 2019 as the convenient proximity of Datang JV enables Xixing Energy to procure heat at a cost-efficient manner.

The terms of the 2020 Heat Supply Agreement were agreed by Xixing Energy and Datang JV on arm's length negotiations.

Based on the above, the Directors (including the independent non-executive Directors but other than Mr. Liu Changchun and Mr. Shi Mingjun) consider that (i) the Datang JV Heat Procurement CCT was in the interests of the Group and the Shareholders as a whole, on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (ii) the terms of the 2020 Heat Supply Agreement were fair and reasonable.

Mr. Liu Changchun and Mr. Shi Mingjun are considered having direct or indirect material interest in the Datang JV Heat Procurement CCT by virtue of Mr. Liu Changchun being a director and chairman of the board of Changchun Heating Group and Mr. Shi Mingjun being a non-executive director of Datang JV. Save as disclosed above, none of the Directors are considered having a material interest in the Datang JV Heat Procurement CCT.

LISTING RULES IMPLICATIONS

Changchun Heating Group, the controlling shareholder of the Company, holds 35% equity interests in Datang JV and hence Datang JV is an associate of Changchun Heating Group and a connected person of the Company under Chapter 14A of the Listing Rules. Prior to the completion of the Xixing Energy Acquisition in 2020, Xixing Energy was accounted for as a joint venture in the consolidated financial statements of the Company and the transactions between Datang JV and Xixing Energy did not constitute a connected transaction of the Company.

Upon completion of the Xixing Energy Acquisition on 11 June 2020, Xixing Energy became a wholly-owned subsidiary of the Company and, therefore, the transactions between Datang JV and Xixing Energy constituted a connected transaction of the Company.

Given Xixing Energy's procurement of heat from Datang JV only takes place during the heat supply period which runs from October to April of the following year, as at completion of the Xixing Energy Acquisition, there was no prevailing contract between Xixing Energy and Datang JV regarding heat procurement and Xixing Energy has not purchased any heat from Datang JV between 11 June 2020 and 19 October 2020. With the entering into of the 2020 Heat Supply Agreement, Xixing Energy began to purchase heat from Datang JV and from 20 October 2020 up to mid-November 2020, the transaction amount under the 2020 Heat Supply Agreement has not exceed the fully exempt threshold in relation to the de minimis transactions under Rule 14A.76 of the Listing Rules.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules for the Datang JV Heat Procurement CCT are over 0.1% but all of them are less than 5%, the Datang JV Heat Procurement CCT is subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As a result of an inadvertent and unintentional oversight by Xixing Energy's operations division, the Datang JV Heat Procurement CCT was not reported to the Company in accordance with the Connected Transactions Management Regulations (《關連交易管理規定》) of the Company (the "**Connected Transactions Management Regulations**"). Hence, the Company and the Board were not aware of the Datang JV Heat Procurement CCT at the material time. During the course of the Company's review of all of its potential continuing connected transactions for the three years ending 31 December 2023, the Company enquired its subsidiaries (including Xixing Energy) whether they would conduct any transactions with the Company's connected persons in the three years ending 31 December 2023. Xixing Energy then informed the Company that as part of their usual course of business, Xixing Energy expected to continue to procure heat from Datang JV in future heat supply periods. It was only at that material time when the Datang JV Heat Procurement CCT was first discovered by the Company in the first quarter of 2021.

Soon after the Company becoming aware of Xixing Energy's usual business practice to procure heat from Datang JV during the heat supply period, the Company has strictly complied with the Connected Transactions Management Regulations to ensure that Xixing Energy's future procurement of heat from Datang JV complies with the relevant requirements of the Listing Rules governing connected transactions. Given the convenient proximity of Datang JV, it is expected that Xixing Energy will continue to procure heat from Datang JV in future heat supply periods. Accordingly, on 29 March 2021, the Company (for itself and on behalf of its subsidiaries) entered into the 2021-2023 Heat Supply Framework Agreement with Datang JV for a term from 29 March 2021 to 31 December 2023 to regulate such procurement of heat from Datang JV. Details of the 2021-2023 Heat Supply Framework Agreement are set out in the announcement of the Company dated 29 March 2021.

Due to an inadvertent and unintentional oversight by Xixing Energy's operations division who was then not familiar with the requirements of the Listing Rules, the Board was not aware of the Datang JV Heat Procurement CCT at the material time and hence the Company has neither announced the Datang JV Heat Procurement CCT in a timely manner nor set an annual cap for the Datang JV Heat Procurement CCT as required by Rules 14A.35 and 14A.53 of the Listing Rules, respectively, and accordingly the auditor's confirmation to the Board has not covered the confirmation on whether the relevant annual cap has been exceeded as required by Rule 14A.56(4) of the Listing Rules.

REMEDIAL ACTIONS

The Company has implemented and will implement (as the case may be) the following measures to prevent the occurrence of similar incidents going forward:

- (a) the Company will strengthen its monitoring and control over its subsidiaries to ensure that its subsidiaries will strictly comply with the relevant Listing Rules' requirements governing connected transactions and the Company's Connected Transactions Management Regulations. In particular:
 - (i) the Company's management and the management of its subsidiaries will meet more regularly whereby the Company's management will remind its subsidiaries to promptly report any potential connected transactions to the Company's management; and
 - (ii) prior to the entering into of any transactions with connected persons, the management of the subsidiaries shall report such potential transactions to the Company's management whereby the Company's management will determine whether such transactions would constitute connected transactions under the Listing Rules and ensure the relevant Listing Rules' requirements are complied with;
- (b) the Company will arrange trainings relating to connected transactions for its employees (including employees of the Company's subsidiaries) to strengthen and reinforce their existing knowledge relating to connected transactions and their ability to identify potential issues at an early stage;
- (c) the Company's securities department shall maintain and keep the list of the Company's connected persons updated from time to time and promptly circulate the list to all of its subsidiaries; and
- (d) the Company's planning and management department will closely monitor the total transaction amount to ensure that the respective proposed annual caps in respect the continuing connected transactions will not be exceeded.

DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“2020 Heat Supply Agreement”	the heat supply agreement dated 16 October 2020 entered into between Xixing Energy and Datang JV in relation to Xixing Energy’s procurement of heat from Datang JV
“2021-2023 Heat Supply Framework Agreement”	the heat supply framework agreement dated 29 March 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and Datang JV, whereby Datang JV agrees to supply heat to the Group
“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Changchun Heating Group”	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the controlling shareholder of the Company, and a state-owned company established in the PRC on 28 April 1998 which held approximately 69.75% of the total share capital of the Company as at the date of this announcement
“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Datang JV”	Datang Changre Jilin Heating Company Limited* (大唐長熱吉林熱力有限公司), a joint venture company established in the PRC on 23 March 2017 and is owned by Changchun Heating Group and Datang Jilin Power Generation Co., Ltd. (大唐吉林發電有限公司) as to 35% and 65%, respectively. It is an associate of Changchun Heating Group and a connected person of the Company
“Datang JV Heat Procurement CCT”	the heat procurement transactions conducted by Xixing Energy pursuant to the 2020 Heat Supply Agreement between 20 October 2020 and 31 December 2020
“Director(s)”	the director(s) of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“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
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xixing Energy”	Jilin Province Xixing Energy Co., Ltd* (吉林省西興能源有限公司) (formerly known as Changchun FAW Sihuan Kinetic Company Limited* (長春一汽四環動能有限公司)), a company established in the PRC on 17 October 2008 and becomes a wholly-owned subsidiary of the Company since 11 June 2020
“Xixing Energy Acquisition”	the Company’s acquisition of the remaining 50% equity interests in Xixing Energy from Changchun FAWSN Group Co., Ltd.* (長春一汽富晟集團有限公司) as disclosed in the Company’s announcement dated 8 June 2020
“%”	per cent.

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

Jilin, the PRC, 22 April 2021

As at the date of this announcement, the non-executive Director is Mr. Liu Changchun (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. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man.

* For identification purpose only