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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 TRANSACTIONS TENANCY AGREEMENTS

The Board announces that on 28 August 2023, the Company and Runfeng (a wholly-owned subsidiary of the Company) respectively entered into Tenancy Agreement 1 and Tenancy Agreement 2 with Chuncheng Investment.

In addition, as at the date of this announcement, there are three subsisting tenancy agreements between the Company and Chuncheng Investment, namely Tenancy Agreement 3, Tenancy Agreement 4 and Tenancy Agreement 5.

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. As such, the Tenancy Arrangements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios under Rule 14.07 of the Listing Rules for the rent payable under the Tenancy Arrangements for the year ending 31 December 2023 are over 0.1% but all of them are less than 5%, the Tenancy Arrangements are 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.

1. TENANCY AGREEMENTS DATED 28 AUGUST 2023

On 28 August 2023, the Company and Runfeng (a wholly-owned subsidiary of the Company) respectively entered into Tenancy Agreement 1 and Tenancy Agreement 2 with Chuncheng Investment, details of which are set out below:

	Tenancy Agreement 1	Tenancy Agreement 2
Date of agreement:	28 August 2023	28 August 2023
Landlord:	Chuncheng Investment	Chuncheng Investment
Tenant:	The Company	Runfeng
Term:	4 January 2023 to 3 January 2024	1 May 2023 to 30 April 2024
Leased Property:	Premises 1	Premises 2
Area of the premises:	700 sq.m.	1,834.13 sq.m.
Use:	Warehouse	Office
Rent:	RMB76,650 per annum	RMB1 million per annum
Payment terms:	The Company shall pay the rent on a quarterly basis.	Runfeng shall pay the rent in full within 180 days from the date of execution of Tenancy Agreement 2.
First right of refusal:	N/A	During the term of Tenancy Agreement 2, Runfeng shall be entitled to a first right of refusal to purchase Premises 2 in the event Chuncheng Investment intends to transfer the ownership of Premises 2. Should Runfeng decide to exercise the first right of refusal in the future, the Company shall comply with all applicable requirements under the Listing Rules.

The rent and other terms of each of Tenancy Agreement 1 and Tenancy Agreement 2 were arrived at after arm's length negotiations between the relevant tenant and the landlord and determined with reference to the prevailing market rent of premises of similar type and size in the proximity and the valuation conducted by an independent valuer in connection with the market rental chargeable in respect of Premises 1 and Premises 2.

For the avoidance of doubt, no rent has been paid by the Company or Runfeng to Chuncheng Investment in respect of Premises 1 and Premises 2 for the period since 4 January 2023 and 1 May 2023, respectively. Any such accrued rent shall be payable by the Company or Runfeng upon the execution of Tenancy Agreement 1 and Tenancy Agreement 2 and in accordance with the terms contained therein.

Historical transaction amounts and reasons for and benefits of entering into Tenancy Agreement 1 and Tenancy Agreement 2

On 4 January 2022, the Company (as tenant) and Chuncheng Investment (as landlord) entered into a tenancy agreement in respect of Premises 1 for the period covering 4 January 2022 to 3 January 2023 at a rent of RMB76,650 per annum. While the aforesaid tenancy agreement expired on 3 January 2023, the Company continues to occupy Premises 1 as a tenant and engages in negotiation with Chuncheng Investment to finalise the terms for renewing the tenancy. Eventually, the Company and Chuncheng Investment entered into Tenancy Agreement 1 on 28 August 2023.

The Company requires a warehouse for storing its materials during its ordinary business operations and Premises 1 is free from title defects, located in the vicinity with convenient transportation and the rent charged by Chuncheng Investment is fair. As such, since January 2022, the Company has been leasing Premises 1 as its warehouse as the Company considers that the leasing of Premises 1 would facilitate the Company's materials storage management. For the year ended 31 December 2022, the total amount of rent paid by the Company to Chuncheng Investment in respect of the tenancy arrangement for Premises 1 was RMB76,650.

On 1 May 2022, Runfeng (as tenant) and Chuncheng Investment (as landlord) entered into a tenancy agreement in respect of a portion of Premises 2 covering 600 sq.m. for the period covering 1 May 2022 to 30 April 2023 at a rent of RMB400,000 per annum. While the aforesaid tenancy agreement expired on 30 April 2023, Runfeng has been occupying Premises 2 (i.e. 1,834.13 sq.m.) as a tenant since then and engages in negotiation with Chuncheng Investment to finalise the terms for the tenancy covering Premises 2. Eventually, Runfeng and Chuncheng Investment entered into Tenancy Agreement 2 on 28 August 2023.

Runfeng has been leasing a portion of Premises 2 covering 600 sq.m. since 2018 for office use. Due to business needs and office capacity requirements, Runfeng requires a larger office and hence since 30 April 2023, Runfeng has been occupying the entire Premises 2 (i.e. 1,834.13 sq.m.) as tenant. For the year ended 31 December 2022, the total amount of rent paid by Runfeng to Chuncheng Investment in respect of the tenancy arrangement for a portion of Premises 2 was RMB400,000.

Based on the above, the Directors (excluding Mr. Sun Huiyong who abstained from voting at the relevant Board meeting as required by the Listing Rules) consider (i) the transactions contemplated under each of Tenancy Agreement 1 and Tenancy Agreement 2 to be 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 each of Tenancy Agreement 1 and Tenancy Agreement 2 (including the rent payable by the Group to Chuncheng Investment) to be fair and reasonable.

2. OTHER SUBSISTING TENANCY AGREEMENTS

As at the date of this announcement, there are three subsisting tenancy agreements between the Company and Chuncheng Investment, namely Tenancy Agreement 3, Tenancy Agreement 4 and Tenancy Agreement 5, details of which are set out below:

	Tenancy Agreement 3	Tenancy Agreement 4	Tenancy Agreement 5
Date of agreement:	1 May 2022	9 October 2022	4 January 2023
Landlord:	Chuncheng Investment	Chuncheng Investment	Chuncheng Investment
Tenant:	The Company	The Company	The Company
Term:	1 May 2022 to 30 April 2025	10 October 2022 to 9 October 2023	4 January 2023 to 3 January 2024
Leased Property:	Premises 3	Premises 4	Premises 5
Area of the premises:	967.15 sq.m.	1,700 sq.m.	1,410 sq.m.
Use:	Office	Office	Office
Rent:	RMB30,000 per month	RMB990,000 per annum	RMB821,100 per annum
Payment terms:	The Company shall pay the rent on a yearly basis.	The Company shall pay the rent on a quarterly basis.	The Company shall pay the rent on a quarterly basis.
Accrued rent since 1 January 2023 up to 31 August 2023:	RMB240,000	RMB660,000	RMB547,400 (<i>Note 1</i>)

Note:

- (1) On 4 January 2022, the Company (as tenant) and Chuncheng Investment (as landlord) entered into a tenancy agreement in respect of Premises 5 for the period covering 4 January 2022 to 3 January 2023 at a rent of RMB821,100 per annum.

The rent and other terms of each of the Subsisting Tenancy Agreements were arrived at after arm's length negotiations between the relevant tenant and the landlord and determined with reference to the prevailing market rent of premises of similar type and size in the proximity. In addition, valuations were conducted by an independent valuer in connection with the market rental chargeable in respect of Premises 4 and Premises 5.

Historical transaction amounts and reasons for and benefits of entering into the Subsisting Tenancy Agreements

The Company has been leasing Premises 3 from Chuncheng Investment for office use since May 2018. Since Premises 3 is free from title defects, located within the Company's heating area and the rent charged by Chuncheng Investment is fair, the Company considers it appropriate to lease Premises 3 for office use. For the year ended 31 December 2022, the total amount of rent paid by the Company to Chuncheng Investment in respect of the tenancy arrangement for Premises 3 was RMB360,000.

The Company has been leasing Premises 4 and Premises 5 from Chuncheng Investment for office use as its headquarters since October 2021 and January 2022, respectively. Having considered the location of Premises 4 and Premises 5 and the rent charged by Chuncheng Investment is fair, the Company considers it appropriate to lease Premises 4 and Premises 5 as its headquarters. For the year ended 31 December 2022, the total amount of rent paid by the Company to Chuncheng Investment in respect of the tenancy arrangements for Premises 4 and Premises 5 was RMB990,000 and RMB821,100, respectively.

Based on the above, the Directors (excluding Mr. Sun Huiyong who abstained from voting at the relevant Board meeting as required by the Listing Rules) consider (i) the transactions contemplated under each of the Subsisting Tenancy Agreements to be 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 each of the Subsisting Tenancy Agreements (including the rent payable by the Group to Chuncheng Investment) to be fair and reasonable.

3. ANNUAL CAP FOR THE YEAR ENDING 31 DECEMBER 2023

As the Tenancy Arrangements are entered into by the Company or its subsidiary with Chuncheng Investment, the rent payable under each of the Tenancy Arrangements would need to be aggregated in accordance with Rule 14A.81 of the Listing Rules. Pursuant to the rent payable by the Group to Chuncheng Investment under the relevant tenancy agreements, the maximum rent payable by the Group to Chuncheng Investment under the Tenancy Arrangements for the year ending 31 December 2023 will be RMB3,047,750 and the amount of rent accrued since 1 January 2023 up to 31 August 2023 is approximately RMB1,968,500. As disclosed in this announcement, the total amount of rent paid by the Group to Chuncheng Investment in respect of the Tenancy Arrangements for the year ended 31 December 2022 was RMB2,647,750.

4. INFORMATION OF THE PARTIES INVOLVED

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.

Runfeng is a wholly-owned subsidiary of the Company established in the PRC. It is principally engaged in heat construction works and maintenance works.

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.

5. LISTING RULES IMPLICATIONS

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. As such, the Tenancy Arrangements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As certain applicable percentage ratios under Rule 14.07 of the Listing Rules for the rent payable under the Tenancy Arrangements for the year ending 31 December 2023 are over 0.1% but all of them are less than 5%, the Tenancy Arrangements are 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.

Pursuant to the Listing Rules and the Company's articles of association, Mr. Sun Huiyong is considered having direct or indirect material interest in the Tenancy Arrangements by virtue of Mr. Sun Huiyong being a party secretary and chairman of Chuncheng Investment. Accordingly, Mr. Sun Huiyong has abstained from voting at the relevant Board meeting. 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 board resolution in relation to the Tenancy Arrangements.

6. DEFINITIONS

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

“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), previously known as 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
“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
“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 HK\$ and listed on the Main Board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Premises 1”	the premises situated at 500 meters south of the intersection of Liuying West Road and Qingtianshu Street, Nanguan District, Changchun City (長春市南關區柳鶯西路與擎天樹街交匯南行500米)
“Premises 2”	the premises situated at Southwest of No. 5 Heping Street, Luyuan District, Changchun City (長春市綠園區和平大街5號西南方向)
“Premises 3”	the premises situated at Xichang Community, Chaoyang District (朝陽區西昌社區)
“Premises 4”	the premises situated at 2nd Floor (except the auditorium), 4th Floor South and 5th Floor of No. 998 Nanhu Road, Nanguan District, Changchun City (長春市南關區南湖大路998號2層(除禮堂以外房間)、4層南側、5層)

“Premises 5”	the premises situated at 4th Floor (partial area) and 7th Floor of No. 998 Nanhu Road, Nangan District, Changchun City (長春市南關區南湖大路998號4層(部分區域)、7層)
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Runfeng”	Changchun City Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限責任公司), a wholly-owned subsidiary of the Company
“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)
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Subsisting Tenancy Agreements”	collectively, Tenancy Agreement 3, Tenancy Agreement 4 and Tenancy Agreement 5
“Tenancy Agreement 1”	the tenancy agreement dated 28 August 2023 entered into between the Company (as tenant) and Chuncheng Investment (as landlord) for the lease of Premises 1
“Tenancy Agreement 2”	the tenancy agreement dated 28 August 2023 entered into between Runfeng (as tenant) and Chuncheng Investment (as landlord) for the lease of Premises 2
“Tenancy Agreement 3”	the tenancy agreement dated 1 May 2022 entered into between the Company (as tenant) and Chuncheng Investment (as landlord) for the lease of Premises 3
“Tenancy Agreement 4”	the tenancy agreement dated 9 October 2022 entered into between the Company (as tenant) and Chuncheng Investment (as landlord) for the lease of Premises 4

“Tenancy Agreement 5”	the tenancy agreement dated 4 January 2023 entered into between the Company (as tenant) and Chuncheng Investment (as landlord) for the lease of Premises 5
“Tenancy Arrangements”	the tenancy arrangements between the Company and its subsidiary (as tenant) and Chuncheng Investment (as landlord)
“%”	per cent.

By order of the Board
Jilin Province Chuncheng Heating Company Limited*
SUN Huiyong
Chairman

Jilin, the PRC, 28 August 2023

As at the date of this announcement, the non-executive Director of the Company is Mr. Sun Huiyong (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*