
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Jilin Province Chuncheng Heating Company Limited***, you should at once hand this circular and the form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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) CONTINUING CONNECTED TRANSACTIONS;
(2) A SHARE OFFERING EXTENSION RESOLUTIONS;
(3) NOTICE OF THE SECOND EGM OF 2023;
(4) NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2023;
AND
(5) NOTICE OF THE FIRST DOMESTIC SHAREHOLDERS'
CLASS MEETING OF 2023**



Capitalised terms used in this cover have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 8 to 36 of this circular. A letter from the Independent Board Committee is set out on pages 37 to 38 of this circular.

A letter from Giraffe Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 39 to 83 of this circular.

The Company will convene the EGM at 9 a.m. on Wednesday, 22 November 2023, the H Shareholders' Class Meeting immediately following the conclusion of the EGM or any adjournment thereof (whichever is the later), and the Domestic Shareholders' Class Meeting immediately following the conclusion of the H Shareholders' Class Meeting or any adjournment thereof (whichever is the later) at Conference Room 711, Chuncheng Heating, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, the PRC. The notices of the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting are set out in Appendices IV, V and VI to this circular, respectively.

If you intend to appoint a proxy to attend the EGM, the H Shareholders' Class Meeting and/or the Domestic Shareholders' Class Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the H Share Registrar (in the case of H Shareholders) or to the head office of the Company in the PRC (in the case of Domestic Shareholders) not less than 24 hours before the time fixed for holding the EGM, the H Shareholders' Class Meeting and/or the Domestic Shareholders' Class Meeting, or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, the H Shareholders' Class Meeting and/or the Domestic Shareholders' Class Meeting, or any adjournment thereof.

* For identification purposes only

7 November 2023

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DEFINITIONS

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

“2021–2023 Construction Framework Agreement”	the construction framework agreement dated 29 March 2021 and entered into between the Company (for itself and on behalf of its subsidiaries) and Chuncheng Investment (for itself and on behalf of its subsidiaries other than the Group), whereby the Group agrees to provide construction, maintenance and design services to Chuncheng Investment Group
“2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment)”	the heat procurement framework agreement dated 15 September 2021 and entered into between the Company (for itself and on behalf of its subsidiaries other than Yatai Heating) and Chuncheng Investment (for itself and on behalf of its subsidiaries other than the Group) in relation to the procurement of heat by the Group (other than Yatai Heating) from Chuncheng Investment Group
“2021–2023 Heat Procurement Framework Agreement (Datang JV)”	the heat procurement framework agreement dated 29 March 2021 and entered into between the Company (for itself and on behalf of its subsidiaries) and Datang JV, in relation to the procurement of heat by the Group from Datang JV
“2021–2023 Heat Procurement Framework Agreement (Yatai Heating)”	the heat procurement framework agreement dated 29 October 2020 and entered into between Yatai Heating and Chuncheng Investment in relation to the procurement of heat by Yatai Heating from Chuncheng Investment
“2021–2023 Pipes Supply Framework Agreement”	the pipes supply framework agreement dated 29 March 2021 and entered into between the Company (for itself and on behalf of its subsidiaries) and New Model Pipes, whereby New Model Pipes agrees to supply pipes for heating supply to the Group
“2022 Shareholders’ Meetings”	collectively, the second extraordinary general meeting of 2022, the second H Shareholders’ class meeting of 2022 and the second Domestic Shareholders’ class meeting of 2022 held on 2 December 2022

DEFINITIONS

“2024–2026 Construction Framework Agreement”	the construction framework agreement dated 11 October 2023 and entered into between the Company (for itself and on behalf of its subsidiaries) and Chuncheng Investment (for itself and on behalf of its subsidiaries other than the Group), whereby the Group agrees to provide construction, maintenance and design services to Chuncheng Investment Group
“2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment)”	the heat procurement framework agreement dated 11 October 2023 and entered into between the Company (for itself and on behalf of its subsidiaries) and Chuncheng Investment (for itself and on behalf of its subsidiaries other than the Group) in relation to the procurement of heat by the Group from Chuncheng Investment Group
“2024–2026 Heat Procurement Framework Agreement (Datang JV)”	the heat procurement framework agreement 11 October 2023 and entered into between the Company (for itself and on behalf of its subsidiaries) and Datang JV, in relation to the procurement of heat by the Group from Datang JV
“2024–2026 Pipes Supply Framework Agreement”	the pipes supply framework agreement dated 11 October 2023 and entered into between the Company (for itself and on behalf of its subsidiaries) and New Model Pipes (for itself and on behalf of its subsidiaries), whereby New Model Pipes Group agrees to supply pipes for heating supply to the Group
“A Share(s)”	ordinary share(s) proposed to be issued by the Company pursuant to the A Share Offering and subscribed for in RMB
“A Share Offering” or “Offering”	the proposed public offering by the Company of not more than 155.5666 million A Shares, which will be listed on the Shenzhen Stock Exchange
“A Share Offering Extension Resolutions”	collectively, the resolutions to extend the validity of each of the Resolution Relating to the A Share Offering and the Resolution Relating to the Authorisation for the A Share Offering, details of which are set out in the section headed “Letter from the Board — VII. A Share Offering Extension Resolutions” of this circular
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

DEFINITIONS

“Class Meetings”	collectively, the Domestic Shareholders’ Class Meeting and the H Shareholders’ Class Meeting
“Chuncheng Investment”	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司) (formerly 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, and a state-owned company (wholly-owned by the Changchun State-owned Assets Supervision Administration Commission of the State Council) established in the PRC on 28 April 1998 which held approximately 69.75% of the total share capital of the Company as at the Latest Practicable Date
“Chuncheng Investment Group”	Chuncheng Investment and its subsidiaries (other than the Group)
“Coal-fired Boilers”	has the meaning ascribed to it under the section headed “Letter from the Board — III. Reasons for and Benefits of Entering into of the Non-exempt Continuing Connected Transactions — A. The 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment)” in this circular
“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 Hong Kong 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
“CSRC”	China Securities Regulatory Commission
“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 Chuncheng Investment 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 Chuncheng Investment and a connected person of the Company
“Director(s)”	director(s) of the Company

DEFINITIONS

“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
“Domestic Shareholder(s)”	holder(s) of Domestic Share(s)
“Domestic Shareholders’ Class Meeting”	the first Domestic Shareholders’ class meeting of 2023 to be held by the Company on Wednesday, 22 November 2023 for consideration and approval of the A Share Offering Extension Resolutions
“EGM”	the second extraordinary general meeting of 2023 to be held by the Company on Wednesday, 22 November 2023 for consideration and approval of (a) each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder; and (b) the A Share Offering Extension Resolutions
“FY2021”	the financial year ended 31 December 2021
“FY2022”	the financial year ended 31 December 2022
“FY2023”	the financial year ending 31 December 2023
“FY2024”	the financial year ending 31 December 2024
“FY2025”	the financial year ending 31 December 2025
“FY2026”	the financial year ending 31 December 2026
“GJ”	gigajoule, a unit of energy
“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 Hong Kong Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shareholder(s)”	holder(s) of the H Share(s)
“H Shareholders’ Class Meeting”	the first H Shareholders’ class meeting of 2023 to be held by the Company on Wednesday, 22 November 2023 for the consideration and approval of the A Share Offering Extension Resolutions

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man, and formed to advise the Independent Shareholders in relation to each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) 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 SFO, which has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) who are not required under the Listing Rules to abstain from voting on the resolution for approving each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder at the EGM
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Latest Practicable Date”	1 November 2023, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time

DEFINITIONS

“New Model Pipes”	Jilin Province New Model Pipes Co., Ltd* (吉林省新型管業有限責任公司), a company established in the PRC on 27 July 2017 and is owned by Chuncheng Investment as to 35%, Changchun Yude Pipes Co., Ltd.* (長春禹德管業有限公司) as to 33%, Jilin Province Xinda Investment Management Co., Ltd.* (吉林省新達投資管理有限公司) as to 24.5% and Langfang Huayu Tianchuang Energy Equipment Co., Ltd.* (廊坊華宇天創能源設備有限公司) as to 7.5%. It is an associate of Chuncheng Investment and a connected person of the Company
“New Model Pipes Group”	New Model Pipes and its subsidiaries
“No. 2 Cogeneration Plant”	Datang Changchun No. 2 Thermoelectricity Limited* (大唐長春第二熱電有限責任公司), Changchun Thermoelectricity Development Company* (長春熱電發展有限公司) (deregistered), Datang Jilin Power Generation Co., Ltd. Heating Branch* (大唐吉林發電有限公司熱力分公司), subsidiaries and branch of their holding company Datang Jilin Power Generation Co., Ltd.* (大唐吉林發電有限公司), which are Independent Third Parties and primarily engaged in power generation and heating generation businesses, and where the context requires, the cogeneration plant operated, individually or collectively by the above
“Non-exempt CCT Agreements”	collectively, the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment), the 2024–2026 Heat Procurement Framework Agreement (Datang JV), the 2024–2026 Construction Framework Agreement and the 2024–2026 Pipes Supply Framework Agreement
“Non-exempt Continuing Connected Transactions”	collectively, the transactions contemplated under the Non-exempt CCT Agreements
“Peak-Shaving Boilers”	the two boilers of Chuncheng Investment Group which are designated as peak-shaving boilers according to the power grid coordination rules for provision of heat during peak time periods in order to respond to suspension or shortage in heat supply from the cogeneration plants
“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Reorganisation”	a reorganisation involving the transfer of certain assets comprising land use rights, buildings, coal-fired boilers and ancillary equipment (together with related rights and liabilities and personnel) from Yatai Heating to Chuncheng Investment at nil consideration pursuant to an agreement (無償劃轉協議) dated 30 July 2020 and entered into between Yatai Heating as transferor and Chuncheng Investment as transferee
“Resolution Relating to the A Share Offering”	has the meaning ascribed to it in the section headed “Letter from the Board — VII. A Share Offering Extension Resolutions” of this circular
“Resolution Relating to the Authorisation for the A Share Offering”	has the meaning ascribed to it in the section headed “Letter from the Board — VII. A Share Offering Extension Resolutions” of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	the Domestic Share(s) and the H Share(s) of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Xixing Energy”	Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司), a wholly-owned subsidiary of the Company
“Yatai Heating”	Changchun Yatai Heating Company Limited* (長春亞泰熱力有限責任公司), a limited liability company established in the PRC on 30 October 1998 and is a wholly-owned subsidiary of the Company. Yatai Heating is principally engaged in the heat services business
“%”	per cent.

* For identification purposes only



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)

Executive Directors:

Mr. Yang Zhongshi
Mr. Shi Mingjun
Mr. Xu Chungang
Mr. Li Yeji

Non-executive Director:

Mr. Sun Huiyong (*Chairman*)

Independent non-executive Directors:

Mr. Wang Yuguo
Mr. Fu Yachen
Mr. Poon Pok Man

Registered office in the PRC:

No. 28, Block B Nanhu Road Community
No. 998 Nanhu Road, Nanguan District
Changchun City, Jilin Province, the PRC

*Head office/Principal place of
business in the PRC:*

No. 28, Block B Nanhu Road Community
No. 998 Nanhu Road, Nanguan District
Changchun City, Jilin Province, the PRC

Principal place of

business in Hong Kong:

46/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

7 November 2023

To the Shareholders

Dear Sir or Madam,

- (1) CONTINUING CONNECTED TRANSACTIONS;
(2) A SHARE OFFERING EXTENSION RESOLUTIONS;
(3) NOTICE OF THE EGM;
(4) NOTICE OF THE H SHAREHOLDERS' CLASS MEETING;
AND
(5) NOTICE OF THE DOMESTIC SHAREHOLDERS' CLASS MEETING**

* For identification purposes only

LETTER FROM THE BOARD

I. INTRODUCTION

References are made to the announcements of the Company both dated 11 October 2023 in relation to, among others, (1) the Non-exempt Continuing Connected Transactions; and (2) the A Share Offering Extension Resolutions.

The purpose of this circular is to provide you with, among other things, further details of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder; (iv) further information in relation to the A Share Offering Extension Resolutions; (v) further information required to be disclosed under the Listing Rules; and (vi) respective notice of the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting.

II. THE NON-EXEMPT CCT AGREEMENTS

A. The 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment)

1. *Principal Terms*

Date:	11 October 2023
Parties:	(a) the Company (for itself and on behalf of its subsidiaries), as purchaser (b) Chuncheng Investment (for itself and on behalf of its subsidiaries other than the Group), as supplier
Subject matter:	Chuncheng Investment Group shall supply heat to the Group in accordance with the requirements prescribed by the Group. Chuncheng Investment Group will enter into separate contracts with the Group in respect of the Group's orders for heat.
Term:	From 1 January 2024 to 31 December 2026 (both days inclusive)

LETTER FROM THE BOARD

Pricing terms and pricing policy:

The parties agree that the heat fee payable by the Group to Chuncheng Investment Group shall be determined with reference to the price payable by the Group to power plants which are Independent Third Parties for purchase of heat by the Group during the same period.

The parties further agree that the actual heat fee per GJ charged by Chuncheng Investment Group shall not be higher than the state-prescribed price or state-recommended price promulgated by the PRC Government or the Jilin Provincial People's Government (where applicable). If no state-prescribed price or state-recommended price is available, the actual heat fee per GJ charged by Chuncheng Investment Group shall be determined with reference to the price payable by the Group to power plants which are Independent Third Parties for purchase of heat by the Group during the same period.

If there is any national and/or local laws and regulations or government policies which require the parties to go through a tender process before conclusion of a contract, the parties should comply with such laws, regulations or policies and conclude such contract after completion of the tender process.

The transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) are conditional upon the Company obtaining the Independent Shareholders' approval to the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment), the proposed annual caps and the transactions contemplated thereunder.

2. Implementation of the pricing policies by the Group

In determining the actual heat fee payable by the Group to Chuncheng Investment Group, the Group's planning and management department will make reference to the price quoted by power plants which are Independent Third Parties for supply of heat to the Group during the relevant period. At present, neither the PRC Government nor the Jilin Provincial People's Government has promulgated any state-prescribed price or state-recommended price in respect of the heat supplied by Chuncheng Investment Group to the Group. During the 2022–2023 heat supply period, the state-prescribed price applicable to heat supplied by power plants to the Group is RMB39 per GJ.

LETTER FROM THE BOARD

3. *Historical transaction amounts and the proposed annual caps*

The table below sets out (a) the historical transaction amounts for the transactions conducted pursuant to the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating) and the 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment); and (b) the proposed annual caps for the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) for the respective periods:

FY2021 (Actual amount) <i>RMB'000</i>	FY2022 (Actual amount) <i>RMB'000</i>	FY2023 (up to 30 June 2023) (Actual amount) <i>RMB'000</i>	FY2024 (Proposed annual cap) <i>RMB'000</i>	FY2025 (Proposed annual cap) <i>RMB'000</i>	FY2026 (Proposed annual cap) <i>RMB'000</i>
66,105 (<i>Note 1</i>)	117,328	64,832 (<i>Note 2</i>)	180,400	240,100	286,200

Notes:

- (1) The 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment) was entered into on 25 September 2021 and the Group only commenced procuring heat from Chuncheng Investment Group pursuant to the 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment) since November 2021. Prior to that, the Group has only been purchasing heat from Chuncheng Investment Group via Yatai Heating pursuant to the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating).
- (2) The heat supply period in Jilin Province usually runs from October to April of the following year, and the Group usually procures more heat during the heat supply period. As such, the historical transaction amount for the six months ended 30 June 2023 may not be an accurate indicator of the total transaction amount for the full year ending 31 December 2023.
- (3) According to the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating) and the 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment), in determining the actual heat fee per GJ payable by the Group, the parties shall make references to the relevant historical prices for heat supply and collect industry information on market price and profitability from various sources, such as state-prescribed price, state-recommended price and other similar heat service providers, and determine the heat fee based on average market profit rate or on cost-plus basis in order to ensure the fairness and reasonableness of the rate. In particular, the intended heat price per GJ under the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating) and the 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment) was RMB56 and RMB62.08, respectively. Please refer to the Company's circulars dated 25 November 2020 and 15 October 2021 for further information. However, pursuant to the terms of the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment), in the absence of state-prescribed price or state-recommended price, the actual heat fee payable by the Group shall be determined with reference to the price payable by the Group to power plants which are Independent Third Parties for purchase of heat by the Group during the same period.

LETTER FROM THE BOARD

4. *Reasons for the proposed annual caps*

Heat to be procured by the Group from Chuncheng Investment Group pursuant to the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) mainly comprises heat produced from the Coal-fired Boilers and the Peak-Shaving Boilers owned by Chuncheng Investment Group.

In arriving at the proposed annual caps, the Board considered factors including (i) the expected amount of heat to be generated from and supplied by Chuncheng Investment Group's Coal-fired Boilers and Peak-Shaving Boilers to the Group for each of the three years ending 31 December 2026; (ii) the state-prescribed price applicable to heat supplied by power plants to the Group of RMB39 per GJ during the 2022–2023 heat supply period; and (iii) the expected increase in the state-prescribed price applicable to heat supplied by power plants to the Group during the three years ending 31 December 2026.

In particular, the Group's heat service area is expected to increase by approximately 3 million sq.m., 2 million sq.m., and 1 million sq.m. in 2024, 2025 and 2026, respectively, as the Company considers that there would be construction and development of new buildings within the Group's heat service area in the coming years. Based on the usual annual heat consumption rate of the Group's customers of 0.4 GJ per sq.m., it is expected that there would be an additional demand for heat by the Group of approximately 1.2 million GJ, 0.8 million GJ and 0.4 million GJ for each of the three years ending 31 December 2026, respectively.

B. **The 2024–2026 Heat Procurement Framework Agreement (Datang JV)**

1. *Principal terms*

Date:	11 October 2023
Parties:	(a) the Company (for itself and on behalf of its subsidiaries), as purchaser (b) Datang JV, as supplier
Subject matter:	Datang JV shall supply heat to the Group in accordance with the requirements prescribed by the Group. Datang JV will enter into separate contracts with the Group in respect of the Group's orders for heat.
Term:	From 1 January 2024 to 31 December 2026 (both days inclusive)

LETTER FROM THE BOARD

Pricing terms and pricing policy:

The parties agree that the actual heat fee payable by the Group to Datang JV shall be determined through fair negotiation between the parties as to be set out in the relevant separate contracts and on terms no less favourable than those offered to the Group by Independent Third Parties.

If there is any national and/or local laws and regulations or government policies which require the parties to go through a tender process before conclusion of a contract, the parties should comply with such laws, regulations or policies and conclude such contract after completion of the tender process.

The transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Datang JV) are conditional upon the Company obtaining the Independent Shareholders’ approval to the 2024–2026 Heat Procurement Framework Agreement (Datang JV), the proposed annual caps and the transactions contemplated thereunder.

2. Implementation of the pricing policies by the Group

The pricing terms and pricing policies adopted by the Group for the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Datang JV) will be the same as that under the 2021–2023 Heat Procurement Framework Agreement (Datang JV), details of which are set out below.

In determining the actual heat fee per GJ payable by the Group, the parties shall make references to the relevant historical prices for heat supply and collect industry information on market price and profitability from various sources, such as state-prescribed price, state-recommended price and other similar heat service providers, and determine the heat fee based on average market profit rate or on cost-plus basis in order to ensure the fairness and reasonableness of the rate. The costs of Datang JV mainly comprise price of raw materials and auxiliary materials such as coal, water, electricity, natural gas, wages and repairs and maintenance etc..

The parties further agree that the actual heat fee per GJ charged by Datang JV shall not be higher than the state-prescribed price or state-recommended price promulgated by the PRC Government or the Jilin Provincial People’s Government (where applicable). If no state-prescribed price or state-recommended price is available, the actual heat fee per GJ charged by Datang JV shall not be higher than the fair market price.

At present, there is neither state-prescribed price nor state-recommended price governing the heat supplied by Datang JV to the Group. In determining the actual heat fee per GJ charged by Datang JV, the Group will make reference to such price offered by

LETTER FROM THE BOARD

Independent Third Party supplier(s) as well as Xixing Energy's cost of heat production from coal-fired boilers to ensure that the price charged by Datang JV will be lower than the aforementioned comparable prices.

3. *Historical transaction amounts and the proposed annual caps*

The table below sets out (a) the historical transaction amounts for the transactions conducted pursuant to the 2021–2023 Heat Procurement Framework Agreement (Datang JV); and (b) the proposed annual caps for the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Datang JV) for the respective periods:

FY2021 (Actual amount) RMB'000	FY2022 (Actual amount) RMB'000	FY2023 (up to 30 June 2023) (Actual amount) RMB'000	FY2024 (Proposed annual cap) RMB'000	FY2025 (Proposed annual cap) RMB'000	FY2026 (Proposed annual cap) RMB'000
6,311	14,759	15,077	33,950	34,880	35,810

4. *Reasons for the proposed annual caps*

In arriving at the annual caps, the Board considered factors including the highest expected unit price of RMB88 per GJ during the three years ending 31 December 2026, the amount of heat to be supplied by Datang JV to the Group and a buffer of approximately 2.5% to cater for any possible unforeseeable circumstances such as fluctuation relating to the actual unit price and/or heat supply volume to be supplied by Datang JV. The highest expected unit price of RMB88 per GJ was arrived at with reference to the highest unit price of RMB88 per GJ charged by Datang JV for the 2022–2023 heat supply period.

C. **The 2024–2026 Construction Framework Agreement**

1. *Principal terms*

Date:	11 October 2023
Parties:	(a) the Company (for itself and on behalf of its subsidiaries), as service provider (b) Chuncheng Investment (for itself and on behalf of its subsidiaries other than the Group), as customer
Subject matter:	The Group shall provide construction, maintenance and design services to Chuncheng Investment Group in accordance with the requirements prescribed by Chuncheng Investment Group and the Group's regulations.

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The services will include:

- (a) engineering construction services which include heating facility construction, pipeline installation, boiler installation, heat exchange station installation, heat facility maintenance and construction management;
- (b) engineering maintenance services such as carrying out heating facility cleaning, installation, repair and maintenance as well as replacement services;
- (c) design services such as designing and providing consultancy and technical services for construction projects of distribution networks, heat exchange stations, as well as boiler rooms; and
- (d) electrical and instrument maintenance and repair services such as services of testing, maintenance and repair of instruments such as gauges, meters and variable-frequency drives.

The Group will enter into separate implementation contracts with Chuncheng Investment Group in respect of each project.

Term: From 1 January 2024 to 31 December 2026 (both days inclusive)

Pricing terms and pricing policy: The price charged by the Group in respect of services provided by and materials supplied by the Group to Chuncheng Investment Group will be determined with reference to the state-prescribed price. Where there is no state-prescribed price, reference will be made to the relevant state-recommended price. Where there is no state-prescribed price and state-recommended price, reference will be made to the regional market price of the same or comparable types of services or materials that are offered by the Group to independent customers under normal commercial terms in the ordinary course of business and such price shall be no less favourable to the Group than that offered by the Group to independent customers.

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If there is any national and/or local laws and regulations or government policies which require the parties to go through a tender process before conclusion of a contract, the parties should comply with such laws, regulations or policies and conclude such contract after completion of the tender process.

The transactions contemplated under the 2024–2026 Construction Framework Agreement are conditional upon the Company obtaining the Independent Shareholders’ approval to the 2024–2026 Construction Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.

2. *Implementation of the pricing policies of the Group*

The pricing terms and pricing policies adopted by the Group for the transactions contemplated under the 2024–2026 Construction Framework Agreement will be the same as that under the 2021–2023 Construction Framework Agreement, details of which are set out below:

Construction services and maintenance services

The Group provides its construction services and maintenance services on project basis and each project would require various types of services and raw materials.

Depending on the requirement of the individual project, the Group may be required to procure the necessary raw materials for the construction services and maintenance services as well. Hence, in addition to the service fees charged by the Group, the Group will also include the materials cost in its fee quote if the Group is required to procure the necessary raw materials.

In arriving at the final fee quote, the Group would need to aggregate the fees for each type of services and raw materials (where applicable) to be rendered under the project.

In general, the Group adopts the following pricing policies in determining the fees charged by the Group for each type of services and raw materials (where applicable):

- (i) where there is a state-prescribed price, the Group must follow the state-prescribed price as required by applicable laws and regulations;

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- (ii) where there is no state-prescribed price but only the state-recommended price, while enterprises may choose to deviate from the state-recommended price, as part of the Group's internal policies, the Group will generally adopt the state-recommended price; and
- (iii) where there is neither state-prescribed price nor state-recommended price, the Group will make reference to the regional market price of the same or comparable types of services and/or materials that are offered to independent customers by the Group under normal commercial terms in the ordinary course of business.

(a) Service fees

The Jilin Department of Housing and Urban-Rural Development* (吉林省住房和城鄉建設廳) (the “**HURD**”) formulates and updates the state-prescribed prices from time to time and in accordance with the “Code for Valuation of Construction Engineering Quantity List”* (《建設工程工程量清單計價規範》) (GB50500-2013) jointly promulgated by the Department of Housing and Urban-Rural Department of the PRC* (中華人民共和國住房和城鄉建設部) and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC* (中華人民共和國國家質量監督檢驗檢疫總局). The HURD prescribes a detailed list of state-prescribed prices for each type of construction services and maintenance services.

Furthermore, services with different specifications (for example installation of pipelines of different specifications) are subject to different state-prescribed prices. These state-prescribed prices could be found at the Jilin Province Construction Project Cost Information Website* (吉林省建設工程造價信息網) (www.jlszjw.com). Based on the information currently available to the Company (including the current applicable prevailing laws and regulations), all construction services and maintenance services to be provided by the Group to Chuncheng Investment Group are subject to state-prescribed prices which the Group is bound to adopt.

(b) Raw materials price

Currently, while there is no state-prescribed prices for raw materials, relevant government departments will provide state-recommended prices for certain types of raw materials from time to time. At present, the “2020 Notice on Regulation on Valuation of Construction Engineering of Changchun City”* (《關於2020年長春市建設工程計價有關規定的通知》) published by the Changchun Urban and Rural Construction Committee* (長春市城鄉建設委員會), the Development and Reform Commission of Changchun City* (長春市發展和改革委員會) and the Finance Bureau of Changchun City* (長春市財務局) in February 2021 provides state-recommended prices for a variety of raw materials. As part of the Group's internal policies, the Group will generally adopt these state-recommended prices for raw materials when formulating the fee quote.

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For raw materials where there is neither state-prescribed price nor state-recommended price, the Group will make reference to the regional market price for that type of raw materials which could be found at the raw materials price website (廣材網) (www.gldjc.com) (the “**Raw Materials Price Website**”). The Raw Materials Price Website is recognised by market players within the construction industry as a reliable online pricing information platform which contains information as to the latest regional market prices and price trends for different types of construction materials in different cities.

Design services

In determining the service fees charged by the Group for the design services to be rendered, the Group will adopt the following pricing policies:

- (i) where there is a state-prescribed price, the Group must follow the state-prescribed price as required by applicable laws and regulations;
- (ii) where there is no state-prescribed price but only the state-recommended price, while enterprises may choose to deviate from the state-recommended price, as part of the Group’s internal policies, the Group will generally adopt the state-recommended price; and
- (iii) where there is neither state-prescribed price nor state-recommended price, the Group will make reference to the regional market price of the same or comparable types of services that are offered to independent customers by the Group under normal commercial terms in the ordinary course of business.

The China Engineering & Consulting Association* (中國勘探設計協會) (the “**CECA**”) formulates and updates the state-recommended prices for design services from time to time and in accordance with the “Announcement on the Statistical Analysis of the Information on the Cost Elements of Municipal Engineering Design Services”* (《關於市政工程設計服務成本要素信息統計分析情況的通報》) promulgated by the CECA and the “Administrative Regulations on Management of the Pricing of Engineering Survey and Design”* (《工程勘察設計收費管理規定》) promulgated by the State Planning Commission of the PRC* (中華人民共和國國家計劃委員會) and the Ministry of Construction of the PRC* (中華人民共和國建設部). These state-recommended prices could be found at the website of the CECA (www.chinaeda.org.cn). As part of the Group’s internal policies, the Group will in general adopt these state-recommended prices when formulating the fee quote for its design services. Based on the information currently available to the Company (including the current applicable prevailing laws and regulations), while there is no state-prescribed price for design services, at present, there are state-recommended prices for all types of design services to be provided by the Group to Chuncheng Investment Group.

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3. *Historical transaction amounts and the proposed annual caps*

The table below sets out (a) the historical transaction amounts for the transactions conducted pursuant to the 2021–2023 Construction Framework Agreement; and (b) the proposed annual caps for the transactions contemplated under the 2024–2026 Construction Framework Agreement for the respective periods:

FY2021 (Actual amount) <i>RMB'000</i>	FY2022 (Actual amount) <i>RMB'000</i>	FY2023 (up to 30 June 2023) (Actual amount) <i>RMB'000</i>	FY2024 (Proposed annual cap) <i>RMB'000</i>	FY2025 (Proposed annual cap) <i>RMB'000</i>	FY2026 (Proposed annual cap) <i>RMB'000</i>
45,234	18,431 (<i>Note</i>)	2,436 (<i>Note</i>)	125,300	101,300	84,300

Note: Due to the outbreak of the COVID-19 pandemic, lockdown and traffic standstill measures were imposed in certain regions in the PRC in FY2022. As such, some of Chuncheng Investment Group's transformation projects on distribution networks, heat exchange stations, boiler rooms, replacement of pipelines and valves, etc. were temporarily suspended or delayed. Accordingly, Chuncheng Investment Group's demand for the Group's construction, maintenance and design services in FY2022 was deeply affected. Following the easing of the pandemic control measures at the beginning of FY2023, the aforesaid Chuncheng Investment Group's transformation projects have gradually resumed. Based on the completion progress of the current projects on hand, the Company expects over 60 transformation projects will be completed in FY2023, of which a majority of them are completed or expected to be completed in the second half of FY2023.

4. *Reasons for the proposed annual caps*

In arriving at the proposed annual caps, the Board considered factors including:

- (i) the historical transaction amounts, the expected construction and installation costs, design costs and material costs with reference to the latest state-prescribed prices, state-recommended prices and market prices;
- (ii) the schedule of potential projects which are available for the Company to participate in and to conclude contract with Chuncheng Investment Group for each of the three years ending 31 December 2026 which indicates that there will be an increase in demand for construction, maintenance and design services from Chuncheng Investment Group. In particular, in addition to the regular projects such as engineering maintenance services, electrical and instrument maintenance and repair services and pipe network transformation, it is expected that Chuncheng Investment Group will commence a large-scale project related to the renovation of boiler rooms in FY2024, i.e. the "Chuncheng Investment Group Clean Heating and Ultra-low Emission Renovation Project"* (《春投集團清潔暖氣超低排放改造工程》). The project involves construction drawing services, procurement and installation of

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construction equipment for transformation of boilers to realise ultra-low emission in Changchun City and is expected to take three years to complete; and

- (iii) a buffer of approximately 9% to cater for any possible unforeseeable circumstances such as fluctuation relating to the construction and installation costs, design costs and material costs.

D. The 2024–2026 Pipes Supply Framework Agreement

1. *Principal Terms*

Date:	11 October 2023
Parties:	(a) the Company (for itself and on behalf of its subsidiaries), as purchaser (b) New Model Pipes (for itself and on behalf of its subsidiaries), as supplier
Subject matter:	New Model Pipes Group shall supply pipes for heating supply to the Group in accordance with the requirements prescribed by the Group. The Group will enter into separate implementation contracts with New Model Pipes Group in respect of each order for pipes.
Term:	From 1 January 2024 to 31 December 2026 (both days inclusive)
Pricing terms and pricing policy:	The price charged by New Model Pipes Group in respect of pipes ordered will be determined with reference to the state-prescribed price. Where there is no state-prescribed price, reference will be made to the relevant state-recommended price. Where there is no state-prescribed price and state-recommended price, reference will be made to the regional market price of the same or comparable types of products that are offered to the Group by independent suppliers under normal commercial terms in the ordinary course of business and such price shall be no less favourable to the Group than that offered by independent suppliers to the Group.

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If there is any national and/or local laws and regulations or government policies which require the parties to go through a tender process before conclusion of a contract, the parties should comply with such laws, regulations or policies and conclude such contract after completion of the tender process.

The transactions contemplated under the 2024–2026 Pipes Supply Framework Agreement are conditional upon the Company obtaining the Independent Shareholders’ approval to the 2024–2026 Pipes Supply Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.

2. *Implementation of the pricing policies by the Group*

The pricing terms and pricing policies adopted by the Group for the transactions contemplated under the 2024–2026 Pipes Supply Framework Agreement will be the same as that under the 2021–2023 Pipes Supply Framework Agreement, details of which are set out below.

Where there is no state-prescribed price and state-recommended price, and the Group is required to make reference to regional market price of same or comparable types of products, the Group has adopted the following management procedures to determine the fairness and reasonableness of the price and terms offered to the Group by New Model Pipes Group:

For contracts that require a tender process:

The procurement cost will depend on the outcome of a competitive bidding process. The Group will first draft and review the relevant tender invitation documentation and ensure that the terms and conditions required for the bidders, which are set out according to the Group’s requirements and the then market practice, comply with the relevant PRC laws on tenders and the internal compliance manuals of the Company. The Group’s management will assess and ensure that all winning bidders comply with the terms and conditions as set out in relevant tender invitation documentation.

For contracts that do not require a tender process:

The Group will obtain quotations from more than three independent suppliers for similar products in similar quantities to determine if the price offered by New Model Pipes Group is fair and reasonable.

At present, all of the Group’s procurement of pipes contracts are required to be conducted via tender process. All tenders are to be conducted in compliance with the “Tendering and Bidding Law of the PRC”* (《中華人民共和國招標投標

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法》), the “Regulations for the Implementation of the Tendering and Bidding Law of the PRC”* (《中華人民共和國招標投標法實施條例》) and the “Notice of the General Office of the National Development and Reform Commission on further implementing the “Regulations on Engineering Projects which must be conducted via Bidding” and “Regulations on the Scope of Infrastructure and Utility Projects which must be conducted via Bidding””* (《國家發展改革委辦公廳關於進一步做好《必須招標的工程項目規定》和《必須招標的基礎設施和公用事業項目範圍規定》實施工作的通知》). The Company will set out the terms and conditions in the tender invitation documentation and will include a price ceiling for each bid. The price ceiling is set by the Company after taking into account the Group’s historical procurement costs for the past two years, market price and prices quoted by suppliers who are Independent Third Parties.

During the tender process, each of the bidders (including New Model Pipes Group if it participates in the bidding process) will submit its tender setting out its terms and conditions for supplying pipes to the Group and will include the price of pipes intended to be charged by such bidder.

Each of the tender documents will be evaluated and assessed to choose the winning bidder. As such, the final procurement cost will depend on the outcome of a competitive bidding process and the price submitted by the bidders (including New Model Pipes Group if it has participated in the bidding process), which shall not be higher than the price ceiling set by the Company in the tender invitation documentation.

3. *Historical transaction amounts and the proposed annual caps*

The table below sets out (a) the historical transaction amounts for the transactions conducted pursuant to the 2021–2023 Pipes Supply Framework Agreement; and (b) the proposed annual caps for the transactions contemplated under the 2024–2026 Pipes Supply Framework Agreement for the respective periods:

FY2021	FY2022	FY2023 (up to 30 June 2023)	FY2024	FY2025	FY2026
(Actual amount)	(Actual amount)	(Actual amount)	(Proposed annual cap)	(Proposed annual cap)	(Proposed annual cap)
<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
21,721	12,976 (Note)	2,735 (Note)	93,430	49,430	49,430

Note: Due to the outbreak of the COVID-19 pandemic, lockdown and traffic standstill measures were imposed in certain regions in the PRC in FY2022. As such, some of the Group’s pipeline construction projects were temporarily suspended or delayed. Accordingly, there was a significant decrease in the Group’s demand for pipes in FY2022. Following the easing of the pandemic control measures at the beginning of FY2023, the aforesaid pipeline construction projects have gradually resumed. Based on the completion progress of the current projects on hand, the Company expects more pipes would be required in the second half of FY2023 as compared with the first six months.

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4. *Reasons for the proposed annual caps*

In arriving at the annual caps, the Board considered factors including the historical transaction amounts, the Group's expected increase in construction requirements and demand for pipes for the three years ending 31 December 2026.

In particular, in order to enhance the Group's heat supply capacity, the Group intends to purchase heat from a new heat supply network. Towards this end, the Group is required to construct new networked pipelines and expand its supporting pipe network thereby driving its demand for pipes in FY2024. Following the completion of the aforesaid construction of new pipe network, the Group's demand for pipes is expected to decrease in FY2025 and FY2026.

III. REASONS FOR AND BENEFITS OF ENTERING INTO OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. **The 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment)**

The heat procured by the Group from Chuncheng Investment Group pursuant to the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) mainly comprises heat produced from the Coal-fired Boilers and the Peak-Shaving Boilers owned by Chuncheng Investment Group.

As disclosed in the circular of the Company dated 15 October 2021, prior to the Company's acquisition of Yatai Heating in 2021, Yatai Heating underwent the Reorganisation whereby certain coal-fired boilers (the "**Coal-fired Boilers**") were transferred by Yatai Heating to Chuncheng Investment. In order to ensure the continuous supply of heat by Yatai Heating to its existing customers in its ordinary and usual course of business, Yatai Heating has been procuring from Chuncheng Investment heat produced by these Coal-fired Boilers pursuant to the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating). The procurement of heat produced by these Coal-fired Boilers under the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating) allows Yatai Heating to continue to supply heat to its customers in the same manner as it did before the implementation of the Reorganisation without any need of reconstruction or alteration to its relevant heat supply network, which would otherwise attract time and costs to Yatai Heating for it to be able to resume the supply of heat through the relevant heat supply network. To ensure the continuous supply of heat to Yatai Heating's existing customers, it is expected that Yatai Heating will continue to procure from Chuncheng Investment heat produced by these Coal-fired Boilers in the forthcoming heat supply periods.

In addition, according to the power grid coordination rules, two of Chuncheng Investment Group's coal-fired boiler plants (i.e. the Peak-Shaving Boilers) are designated as peak-shaving boilers. Given the Group's primary pipeline network is connected with Chuncheng Investment Group's Peak-Shaving Boilers and the heat production capacity of the No. 2 Cogeneration Plant is already saturated and currently there is no plan to expand its

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production capacity, in order to maintain the Group's business operations and ensure the quality of its heat supply, the Group would need to continue to purchase heat from these Peak-Shaving Boilers during peak time periods to satisfy its increased demand for heat.

B. The 2024–2026 Heat Procurement Framework Agreement (Datang JV)

Datang JV is principally engaged in the provision of heat supply, construction, maintenance and distribution services to the automobile development zone in Changchun City and Xixing Energy, a wholly-owned subsidiary of the Company, has operations in Datang JV's heat service area. Given the convenient proximity of Datang JV, Xixing Energy has been purchasing heat from Datang JV since the 2019–2020 heat supply period which commenced in October 2019. Having considered the stable supply of heat by Datang JV as well as the ongoing operations of the Group, the Company considers that transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Datang JV) could enable the Group to procure heat at a cost-efficient manner as compared to other heat suppliers.

C. The 2024–2026 Construction Framework Agreement

Chuncheng Investment Group requires certain construction, maintenance and design services during its course of business. Having considered the Group's competitive strengths in heat supply construction, maintenance and design services and the quality of the Group's services (including quality control and assurance services), Chuncheng Investment Group has been procuring construction, maintenance and design services from the Group since 2018. It is expected that the Group will continue to participate in Chuncheng Investment Group's tender process where applicable and the Group will continue to provide construction, maintenance and design services to Chuncheng Investment Group going forward.

D. The 2024–2026 Pipes Supply Framework Agreement

Pipe is one of the Group's key raw materials for its construction, maintenance and design services. Having considered the price, product quality, timely delivery and after-sales services offered by New Model Pipes Group to the Group, the Group has been purchasing pipes from New Model Pipes Group since 2017. It is expected that New Model Pipes Group will continue to participate in the Group's tender process where applicable and the Group will continue to purchase pipes from New Model Pipes Group going forward.

The term of each of the Non-exempt CCT Agreements were agreed by the relevant parties after arm's length negotiations.

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IV. INTERNAL CONTROL MEASURES ADOPTED BY THE GROUP

The Group has adopted the following internal control measures over the Non-exempt Continuing Connected Transactions:

- (a) the Company has adopted the “Connected Transactions Management Regulations”* (《關連交易管理規定》) which provides that all connected transactions (including the transactions contemplated under the Non-exempt CCT Agreements) shall comply with the relevant Listing Rules’ requirements and the Connected Transactions Management Regulations, including but not limited to (i) the transactions must be conducted on normal commercial terms or better and the terms are no less favourable to the Group than terms available to independent customers by the Group; and (ii) the transactions are carried out in accordance with the Company’s pricing policies and the terms of the relevant Non-exempt CCT Agreement;
- (b) in respect of the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) and the 2024–2026 Heat Procurement Framework Agreement (Datang JV), the Group will closely monitor the actual unit price per GJ of heat supplied by Chuncheng Investment Group or Datang JV (as appropriate) by adopting the procedures set out in this circular. In addition, the Group will, on a regular basis (and at least once a year before the commencement of heat supply period), obtain information on heat fees from two to four Independent Third Parties and compare such fees with that offered by Chuncheng Investment Group or Datang JV (as appropriate). In the event where the price offered by Independent Third Parties to the Group are more favourable to the Group than that offered by Chuncheng Investment Group or Datang JV (as appropriate), the Group will purchase heat from such Independent Third Parties instead given the Group’s primary pipeline network is also connected with the network of certain Independent Third Parties. The Directors are of the view that the aforementioned methods and procedures would enable the Company to ensure that the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) and the 2024–2026 Heat Procurement Framework Agreement (Datang JV) will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders;
- (c) in respect of the transactions contemplated under the 2024-2026 Construction Framework Agreement:
 - (i) *for contracts that require a tender process* — prior to submitting the bidding documents to Chuncheng Investment Group, the Company’s tender team will review the bidding documents to ensure that (i) the tender documents are prepared in accordance with applicable laws and regulations and Chuncheng Investment Group’s requirements; (ii) the quoted prices comply with the Group’s pricing policies as stated above; (iii) the transactions are carried out in accordance with the 2024–2026 Construction Framework Agreement; and (iv) the transactions are conducted on normal commercial terms or better and the service fees and materials prices (where

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applicable) offered in the bidding documents is not lower than those offered or quoted to independent customers for similar services. Since every project is unique and not identical, the Group will compare the fee quote provided to Chun Cheng Investment Group with at least one recent fee quote provided to independent customers to ensure that the fee quoted in the bidding documents is not lower than those offered or quoted to independent customers for similar projects. The Company considers that comparison with only one fee quote is sufficient given most of the services and/or materials provided by the Group are subject to state-prescribed prices or state-recommended prices and that regional market price serves as a more up-to-date benchmark given the volatility in materials prices;

- (ii) *for contracts that do not require a tender process* — prior to providing the fee quotations to Chun Cheng Investment Group, the accounting department (核算部) of the relevant subsidiary will review the fee quotations to ensure that (i) the quoted prices comply with the Group's pricing policies as stated above; (ii) the transactions are carried out in accordance with the 2024–2026 Construction Framework Agreement; and (iii) the transactions are conducted on normal commercial terms or better and the service fees and materials prices (where applicable) offered to Chun Cheng Investment Group is not lower than those offered or quoted to independent customers for similar services. Since every project is unique and not identical, the Group will compare the fee quote provided to Chun Cheng Investment Group with at least one recent fee quote provided to independent customers to ensure that the fee quoted is not lower than those offered or quoted to independent customers for similar projects. The Company considers that comparison with only one fee quote is sufficient given most of the services and/or materials provided by the Group are subject to state-prescribed prices or state-recommended prices and that regional market price serves as a more up-to-date benchmark given the volatility in materials prices;
- (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 of the each of the Non-exempt Continuing Connected Transactions will not be exceeded;
- (e) the Company's planning and management department shall prepare reports containing total transaction amount under each of the Non-exempt CCT Agreements on a monthly basis and submit such reports to the Company's internal control audit department on a quarterly basis;
- (f) based on the reports prepared by the Company's planning and management department, the Company's internal control audit department shall conduct quarterly reviews on the Company's subsidiaries to ensure that (i) the subsidiaries have complied with the Company's Connected Transactions Management Regulations; (ii) the transactions contemplated under each of the Non-exempt CCT Agreements are conducted on normal commercial terms or better and the terms are no less favourable to the Group than terms

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available to independent customers by the Group; and (iii) the transactions are carried out in accordance with the Company's pricing policies and the terms of the relevant Non-exempt CCT Agreement. The Company's internal control audit department shall report on its findings relating to the Non-exempt Continuing Connected Transactions to the Company's management on a quarterly basis;

- (g) the Company's external auditors will review the Non-exempt Continuing Connected Transactions annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant caps have been exceeded; and
- (h) the independent non-executive Directors will review the Non-exempt Continuing Connected Transactions annually to check and confirm whether such Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions were conducted in accordance with the pricing policies set out in such relevant agreements.

V. INFORMATION OF THE PARTIES INVOLVED

A. The Group

The Group is a China-based company mainly engaged in the heating service business. The Group operates its business through two segments, namely the heat supply segment and the construction, maintenance and design services segment. The heat supply segment mainly provides heat supply services within Jilin Province. The construction, maintenance and design services segment mainly provides related services such as engineering construction, engineering maintenance, design, electrical appliances and instrument maintenance. The Group mainly conducts its business in the Chinese domestic market.

B. Chuncheng Investment Group

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.

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C. Datang JV

Datang JV is a company established in the PRC and is owned by Chuncheng Investment and Datang Jilin Power Generation Co., Ltd.* (大唐吉林發電有限公司) as to 35% and 65%, respectively. Datang Jilin Power Generation Co., Ltd.* (大唐吉林發電有限公司) is a wholly-owned subsidiary of China Datang Corporation Ltd.* (中國大唐集團有限公司), a state-owned enterprise.

Datang JV is an associate of Chuncheng Investment and is principally engaged in the provision of heat supply, construction, maintenance and distribution services to the automobile development zone in Changchun City.

D. New Model Pipes

New Model Pipes is a company established in the PRC and is owned by Chuncheng Investment as to 35%, Changchun Yude Pipes Co., Ltd.* (長春禹德管業有限公司) as to 33%, Jilin Province Xinda Investment Management Co., Ltd.* (吉林省新達投資管理有限公司) as to 24.5% and Langfang Huayu Tianchuang Energy Equipment Co., Ltd.* (廊坊華宇天創能源設備有限公司) as to 7.5%. Changchun Yude Pipes Co., Ltd.* (長春禹德管業有限公司) is a company owned by Liu Lizhi (劉立志), an Independent Third Party, as to approximately 90.9%. Jilin Province Xinda Investment Management Co., Ltd.* (吉林省新達投資管理有限公司) is a company owned as to approximately 47.7% by Jilin Ruiwen Investment Consulting Partnership (Limited Partnership) (吉林睿文投資諮詢合夥企業) (有限合夥), 29.1% by Chuncheng Investment and 23.2% by Shiwei Investment Holding Co., Ltd.* (世為投資控股有限公司). Langfang Huayu Tianchuang Energy Equipment Co., Ltd.* (廊坊華宇天創能源設備有限公司) is owned by four Independent Third Parties, namely Duan Wenyu (段文宇), Li Yunhui (李雲輝), Duan Wenhui (段文暉) and Duan Shufeng (段書峰) as to approximately 59.9%, 24.1%, 15.5% and 0.5%, respectively.

New Model Pipes is an associate of Chuncheng Investment and is principally engaged in pipeline manufacturing.

VI. 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. Each of New Model Pipes and Datang JV is an associate of Chuncheng Investment and hence is a connected person of the Company. As such, each of the Non-exempt Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Chapter 14A of the Listing Rules, the transactions as contemplated under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) and the 2024–2026 Heat Procurement Framework Agreement (Datang JV) shall be aggregated because the counterparties for these two agreements are either Chuncheng Investment or its associate (i.e.

LETTER FROM THE BOARD

Datang JV) and the nature of the transactions contemplated under these two agreements are the same. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment), on a standalone basis, or when aggregated with the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Datang JV) are, on an annual basis, over 5%, the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) and the 2024–2026 Heat Procurement Framework Agreement (Datang JV) and the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders' approval and annual review requirements 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 for the transactions contemplated under each of the 2024–2026 Construction Framework Agreement and the 2024–2026 Pipes Supply Framework Agreement are, on an annual basis, over 5%, each of the 2024–2026 Construction Framework Agreement and the 2024–2026 Pipes Supply Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

VII. A SHARE OFFERING EXTENSION RESOLUTIONS

References are made to (1) the circulars of the Company dated 2 December 2021, 13 July 2022 and 17 November 2022 in relation to, among other things, the resolution regarding the application for initial public offering and listing of the A Shares on the main board of the Shenzhen Stock Exchange by the Company (the “**Resolution Relating to the A Share Offering**”) and the resolution regarding the grant of authorisation to the Board and its authorised persons at the general meeting of the Company to deal, at their full discretion, with matters relating to the initial public offering and listing of A Shares on the main board of the Shenzhen Stock Exchange by the Company (the “**Resolution Relating to the Authorisation for the A Share Offering**”); and (2) the announcement of the Company dated 2 December 2022 in relation to the poll results of the 2022 Shareholders' Meetings at which the Shareholders considered and approved, among other things, the extension of the validity period of the Resolution Relating to the A Share Offering and the Resolution Relating to the Authorisation for the A Share Offering to 1 December 2023.

Given that the work relating to the A Share Offering of the Company is still at the vetting stage and the validity period of the Resolution Relating to the A Share Offering and Resolution Relating to the Authorisation for the A Share Offering will expire on 1 December 2023, in order to ensure the continuation of the work relating to the A Share Offering, on 11 October 2023, the Board resolved to pass the “Resolution to extend the validity period of the proposal for the A Share Offering” and the “Resolution to extend the authorisation to the Board and its authorised persons granted at the general meeting of the Company to deal, at their full discretion, with matters relating to the initial public offering and listing of the A shares of the Company on the main board of the Shenzhen Stock Exchange” in order to extend the validity period of the Resolution Relating to the A Share Offering and the Resolution Relating to the Authorisation for the A Share Offering for 12 months from the date of approval at the Shareholders' meetings of the Company.

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Each of the Resolution Relating to the A Share Offering and the Resolution Relating to the Authorisation for the A Share Offering, as extended, will be valid for a period of twelve (12) months from the date of consideration and approval of the resolutions for the extension of the validity period of each of the Resolution Relating to the A Share Offering and the Resolution Relating to the Authorisation for the A Share Offering at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting. In the next twelve months, the Company plans to continue to update the documents for application and facilitate the approval of the relevant regulatory authorities in relation to the A Share Offering. Resolutions to extend the validity of each of the Resolution Relating to the A Share Offering and the Resolution Relating to the Authorisation for the A Share Offering have been submitted to the Board for consideration and approval, and are being submitted to the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting for consideration and approval respectively.

As disclosed in the Company's announcement dated 18 October 2023, the Company has submitted an updated prospectus to be issued in respect of the A Share Offering to the Shenzhen Stock Exchange. Currently, the Company is updating the reporting documents and information relating to the application for A Share Offering in accordance with the relevant PRC laws, regulations and requirements. As at the Latest Practicable Date, the Company has not yet obtained the approval of the Shenzhen Stock Exchange in respect of the A Share Offering. The review cycle of the Company's A Share Offering by the Shenzhen Stock Exchange depends on factors such as the number of applications for A share offering submitted by other companies and the internal processing time of the Shenzhen Stock Exchange, and is beyond the control of the Company. The Company will disclose the material progress of the Company's application for A Share Offering in a timely manner in the future.

Save for the validity period as stated above, other contents of the Resolution Relating to the A Share Offering and the Resolution Relating to the Authorisation for the A Share Offering remain unchanged. Please refer to Appendices I and II to this circular, respectively, for further information.

In order to comply with the Listing Rules and applicable PRC laws and regulations, the Company will make further announcement(s) on the proposed A Share Offering in due course, in particular when the detailed terms of the proposed A Share Offering (such as the offer price and the offer size) are confirmed.

Other than the Resolution Relating to the A Share Offering and the Resolution Relating to the Authorisation for the A Share Offering, the other resolutions in relation to A Share Offering approved at the 2021 Shareholders' meetings held on 21 December 2021, as amended by (1) the resolutions relating to the A Share Offering approved at the first extraordinary general meeting of 2022, the first H Shareholders' class meeting of 2022 and the first Domestic Shareholders' class meeting of 2022, all held on 29 July 2022; and (2) the resolutions relating to the A Share Offering approved at the 2022 Shareholders' Meetings, will remain valid and will not be proposed to the EGM and the Class Meetings. For details of the aforesaid other resolutions, please refer to the circulars of the Company dated 2 December 2021, 13 July 2022 and 17 November 2022.

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VIII. EFFECTS OF THE A SHARE OFFERING ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, assuming the entire 155.5666 million A Shares under the A Share Offering are permitted to be issued and there are no changes to the share capital of the Company prior to the completion of the A Share Offering, the shareholding structure of the Company as at the Latest Practicable Date and immediately after the completion of the A Share Offering is as follows:

Shareholder	As at the Latest Practicable Date	Approximate % of the Company's issued share capital	Immediately after the completion of the A Share Offering	Approximate percentage of the Company's issued share capital
Domestic Shares (<i>Note 1</i>)				
— Domestic Shares in issue held by non-public Shareholders (<i>Note 2</i>)	325,500,000	69.75%	—	—
— Domestic Shares in issue held by public Shareholders	24,500,000	5.25%	—	—
A Shares (<i>Note 1</i>)				
— A Shares in issue held by non-public Shareholders (<i>Note 2</i>)	—	—	325,500,000	52.31%
— New A Shares issued under the A Share Offering (<i>Note 3</i>)	—	—	155,566,600	25.00%
— A Shares in issue held by other public Shareholders	—	—	24,500,000	3.94%
H Shares	<u>116,700,000</u>	<u>25.00%</u>	<u>116,700,000</u>	<u>18.75%</u>
Total	<u><u>466,700,000</u></u>	<u><u>100%</u></u>	<u><u>622,266,600</u></u>	<u><u>100%</u></u>

Notes:

- (1) Subject to the approval of the A Share Offering Extension Resolutions at the EGM and the Class Meetings and the granting of all approvals relating to the A Share Offering by the competent PRC regulatory authorities, the Domestic Shares in issue will be converted into domestically listed RMB ordinary shares (A Shares) upon the completion of the A Share Offering and listing.
- (2) These Shares are held by Chuncheng Investment, the controlling shareholder of the Company.

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- (3) Upon completion of the A Share Offering, the 155,566,600 new A Shares in issue (representing approximately 25.00% of the total share capital of the Company after the A Share Offering) will be included in the public float.

As at the Latest Practicable Date, the Company had, to the best of the Directors' knowledge and in accordance to the information available to the public, sufficient public float to satisfy the minimum public float requirement under Rule 8.08 of the Listing Rules. Assuming that 155.5666 million A Shares are approved for issue under the A Share Offering and all of which are offered to non-core connected persons of the Company, the percentage of H Shares held by the public to the total number of Shares after the offering is expected to be approximately 18.75% and the percentage of the number of Shares held by the public (A Shares and H Shares in aggregate) to the total number of Shares after the offering is expected to be approximately 47.69%. The Company undertakes to continue to comply with the public float requirement under Rule 8.08 of the Listing Rules during the application process of the A Share Offering and upon completion of the A Share Offering.

IX. THE EGM AND THE CLASS MEETINGS

The EGM and the Class Meetings will be held at Conference Room 711, Chuncheng Heating, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC, at 9 a.m. on Wednesday, 22 November 2023 for the purpose of considering and, if thought fit, passing the matters as set out in this circular. The notices of the EGM and the Class Meetings and the forms of proxy have been despatched to the Shareholders and are enclosed with this circular. The notices of the EGM and the Class Meetings are set out in Appendices IV to VI to this circular respectively.

The forms of proxy for the EGM and the Class Meetings were despatched to the Shareholders on 7 November 2023 in accordance with the Listing Rules. Whether or not you wish to attend or vote at the EGM and/or the Class Meetings, you must complete and return the form of proxy in accordance with the instructions printed thereon. If you wish to appoint a proxy to attend the EGM and/or the Class Meetings, you must complete and return the form of proxy in accordance with the instructions printed thereon. For H Shareholders, the form of proxy shall be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, and for Domestic Shareholders, the form of proxy shall be lodged with the Company's head office in the PRC as soon as possible and in any event not later than 24 hours before the time fixed for holding the EGM and/or the Class Meetings or any adjournment thereof, by hand delivery or by post. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and/or the Class Meetings if you so wish.

X. VOTING BY POLL AT THE EGM AND THE CLASS MEETINGS

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the EGM and the Class Meetings pursuant to Articles 78 and 96 of the Articles of Association. On a poll, every Shareholder present in person or by proxy (or being a

LETTER FROM THE BOARD

corporation by its duly authorised representative) shall have one vote for each Share registered in his/her name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she has in the same manner.

XI. CLOSURE OF REGISTER OF MEMBERS AND ELIGIBILITY FOR ATTENDING AND VOTING AT THE EGM, THE H SHAREHOLDERS' CLASS MEETING AND THE DOMESTIC SHAREHOLDERS' CLASS MEETING

In order to ascertain the entitlement of the Shareholders to attend and vote at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting, the register of members of the Company will be closed from Friday, 17 November 2023 to Wednesday, 22 November 2023 (both days inclusive), during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Wednesday, 22 November 2023 shall be entitled to attend and vote at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting. In order to be eligible to attend and vote at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting, all transfer documents together with relevant share certificates and other appropriate documents must be lodged for registration with the head office of the Company in the PRC at No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC (in the case of Domestic Shareholders), or the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in the case of H Shareholders) no later than 4:30 p.m. on Thursday, 16 November 2023.

XII. RECOMMENDATIONS

(a) Continuing Connected Transactions

The Independent Board Committee has been established to advise the Independent Shareholders as to each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder. Your attention is drawn to the letter from the Independent Board Committee containing its recommendation as set out on pages 37 to 38 of this circular.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder. Your attention is drawn to the letter from the Independent Financial Adviser containing its advice as set out on pages 39 to 83 of this circular.

Shareholders who have a material interest are required to abstain from voting in respect of the resolutions in respect of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, Chuncheng Investment held 325,500,000 Domestic Shares, representing approximately 69.75% of the total share capital of the Company and shall abstain

LETTER FROM THE BOARD

from voting on the resolutions to be proposed at the EGM in respect of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) 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 on the relevant resolutions approving each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder at the EGM.

Pursuant to the Listing Rules and the Articles of Association:

1. Mr. Sun Huiyong is considered having direct or indirect material interests in each of the CCT Agreements by virtue of Mr. Sun Huiyong being a party secretary and chairman of the board of Chuncheng Investment. Accordingly, Mr. Sun Huiyong has abstained from voting at the relevant Board meeting to approve each of the Non-exempt CCT Agreements (including the relevant proposed annual caps) and the transactions contemplated thereunder; and
2. Mr. Shi Mingjun is considered having direct or indirect material interests in the 2024–2026 Heat Procurement Framework Agreement (Datang JV) by virtue of Mr. Shi Mingjun being a non-executive director of Datang JV. Accordingly, Mr. Shi Mingjun has abstained from voting at the relevant Board meeting to approve the 2024–2026 Heat Procurement Framework Agreement (Datang JV) (including the relevant proposed annual caps) and the transactions contemplated thereunder.

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 resolutions in relation to the Non-exempt CCT Agreements (including the relevant proposed annual caps) and the transactions contemplated thereunder.

The Directors (excluding (a) Mr. Sun Huiyong who abstained from voting at the relevant Board meeting to approve the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment), the 2024–2026 Construction Framework Agreement and the 2024–2026 Pipes Supply Framework Agreement (including the relevant proposed annual caps) and the transactions contemplated thereunder as required by the Listing Rules and the Articles of Association; and (b) the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Financial Adviser” in this circular) consider (i) each of the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment), the 2024–2026 Construction Framework Agreement and the 2024–2026 Pipes Supply Framework Agreement and the transactions contemplated thereunder 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 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment), the 2024–2026 Construction Framework Agreement and the 2024–2026 Pipes Supply Framework Agreement (including the relevant proposed annual caps) to be fair and reasonable. Accordingly, the Directors

LETTER FROM THE BOARD

(excluding (a) Mr. Sun Huiyong who abstained from voting at the relevant Board meeting to approve the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment), the 2024–2026 Construction Framework Agreement and the 2024–2026 Pipes Supply Framework Agreement (including the relevant proposed annual caps) and the transactions contemplated thereunder as required by the Listing Rules and the Articles of Association; and (b) the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Financial Adviser” in this circular) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve each of the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment), the 2024–2026 Construction Framework Agreement and the 2024–2026 Pipes Supply Framework Agreement (including the relevant proposed annual caps) and the transactions contemplated thereunder.

The Directors (excluding (a) Mr. Sun Huiyong and Mr. Shi Mingjun who abstained from voting at the relevant Board meeting to approve the 2024–2026 Heat Procurement Framework Agreement (Datang JV) (including the proposed annual caps) and the transactions contemplated thereunder as required by the Listing Rules and the Articles of Association; and (b) the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Financial Adviser” in this circular) consider (i) the 2024–2026 Heat Procurement Framework Agreement (Datang JV) and the transactions contemplated thereunder 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 the 2024–2026 Heat Procurement Framework Agreement (Datang JV) (including the proposed annual caps) to be fair and reasonable. Accordingly, the Directors (excluding (a) Mr. Sun Huiyong and Mr. Shi Mingjun who abstained from voting at the relevant Board meeting to approve the 2024–2026 Heat Procurement Framework Agreement (Datang JV) (including the proposed annual caps) and the transactions contemplated thereunder as required by the Listing Rules and the Articles of Association; and (b) the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Financial Adviser” in this circular) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2024–2026 Heat Procurement Framework Agreement (Datang JV) (including the proposed annual caps) and the transactions contemplated thereunder.

(b) A Share Offering Extension Resolutions

The Board (including independent non-executive Directors) is of the opinion that the A Share Offering Extension Resolutions to be proposed at the EGM, the H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting are in the interests of the Company and the Shareholders as a whole, and therefore recommends the Shareholders to vote in favour of the A Share Offering Extension Resolutions to be proposed at the EGM, the H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the A Share Offering Extension Resolutions to be proposed at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting.

XIII. ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

As the A Share Offering is subject to the approval of the Shenzhen Stock Exchange and other relevant regulatory authorities and may or may not proceed, shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company. Further announcements will be published by the Company as and when appropriate in respect of any material developments related to the A Share Offering. This circular is made for information purposes only and does not constitute an invitation or an offer to acquire, purchase or subscribe for the securities of the Company.

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

Jilin, the PRC, 7 November 2023



Jilin Province Chuncheng Heating Company Limited*

吉林省春城热力股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock code: 1853)

7 November 2023

To the Independent Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to its Shareholders dated 7 November 2023 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Details of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder are set out in the letter from the Board contained in the Circular. Giraffe Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the letter from the Independent Financial Adviser contained in the Circular.

Having considered the terms of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder and taking into account the information contained in the Circular and the advice of the Independent Financial Adviser, we are of the opinion that the transactions contemplated under each of the Non-exempt CCT Agreements are in the ordinary and usual course of business of the Group, and that each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders to vote in favour of the ordinary resolutions to be put forward at the EGM to approve each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder.

Yours faithfully

For and on behalf of
the Independent Board Committee

Mr. Wang Yuguo
*Independent Non-executive
Director*

Mr. Fu Yachen
*Independent Non-executive
Director*

Mr. Poon Pok Man
*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter received from Giraffe Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



7 November 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular issued by the Company dated 7 November 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As disclosed in the announcement of the Company dated 11 October 2023, as the current terms of the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating), the 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment), the 2021–2023 Heat Procurement Framework Agreement (Datang JV), the 2021–2023 Construction Framework Agreement, and the 2021–2023 Pipes Supply Framework Agreement will expire on 31 December 2023, on 11 October 2023, the relevant parties entered into the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment), the 2024–2026 Heat Procurement Framework Agreement (Datang JV), the 2024–2026 Construction Framework Agreement, and the 2024–2026 Pipes Supply Framework Agreement, to, among other things, extend the respective terms of the agreements to 31 December 2026.

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. Each of New Model Pipes and Datang JV is an associate of Chuncheng Investment and hence is a connected person of the Company. As such, each of the Non-exempt Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, pursuant to Chapter 14A of the Listing Rules, the transactions as contemplated under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) and the 2024–2026 Heat Procurement Framework Agreement (Datang JV) shall be aggregated because the counterparties for these two agreements are either Chuncheng Investment or its associate (i.e. Datang JV) and the nature of the transactions contemplated under these two agreements are the same. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment), on a standalone basis, or when aggregated with the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Datang JV) are, on an annual basis, over 5%, the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) and the 2024–2026 Heat Procurement Framework Agreement (Datang JV) and the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders’ approval and annual review requirements 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 for the transactions contemplated under each of the 2024–2026 Construction Framework Agreement and the 2024–2026 Pipes Supply Framework Agreement are, on an annual basis, over 5%, each of the 2024–2026 Construction Framework Agreement and the 2024–2026 Pipes Supply Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man, has been formed to advise the Independent Shareholders in relation to each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we have acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in respect of the 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment) as detailed in circular of the Company dated 15 October 2021. Notwithstanding the above engagement, as at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 13.84 of the Listing Rules, and accordingly, are qualified to act as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders considering that (i) our independent roles in the aforesaid engagement (the “**Previous Engagement**”); (ii) the aggregate professional fees paid/to be paid by the Company to us represent an insignificant portion of our

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

revenue during the relevant period; and (iii) we have maintained our independence from the Company during the Previous Engagement, and our independence from the Company has not been compromised because of the Previous Engagement.

Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among others, (i) the announcement of the Company dated 11 October 2023 in relation to the Non-exempt CCT Agreements; (ii) the terms of each of the Non-exempt CCT Agreements; (iii) the annual report of the Company for the year ended 31 December 2022 (“**FY2022**”) (the “**2022 Annual Report**”), the interim report of the Company for the six months ended 30 June 2023 (“**1H2023**”) (the “**2023 Interim Report**”); (iv) the information and facts supplied by the Group; (v) the opinions expressed by and the representations of the Directors and management of the Group (the “**Management**”); and (vi) certain relevant public information, and have assumed that all such information and facts provided and any opinions and representations made to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the EGM.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its Management and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its Management and/or the Directors were true and accurate at the time when they are made and continue to be true up to the Latest Practicable Date. We have no reason to believe that any statements, information, opinions and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent verification or in-depth investigation into the information provided by the Company as well as the business and affairs of the Group, Chuncheng Investment Group, or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders. Our opinion is necessarily based on the financial, economic, market, industry-specific and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information regarding the Group. The Directors, having made all reasonable enquiries and careful consideration, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

1.1 *Business of the Group*

As disclosed in the Letter from the Board, the Company is a China-based company mainly engaged in the heating service business. The Group operates its business through two segments, namely the heat supply segment and the construction, maintenance and design services segment. The heat supply segment mainly provides heat supply services within Jilin Province. The construction, maintenance and design services segment mainly provides related services such as engineering construction, engineering maintenance, design, electrical appliances and instrument maintenance. The Group mainly conducts its business in the Chinese domestic market.

According to the 2023 Interim Report, the Group continued to improve its management system for heat supply production and enhance the level of applying intelligence in the heat supply business. As a result, the effective implementation of energy conservation and emission reduction was achieved, and the utilisation rate of heat supply energy efficiency increased accordingly. As at 30 June 2023, the Group's heat service area was approximately 65.1 million sq.m., representing an increase of approximately 4.9% from approximately 62.1 million sq.m. as at 30 June 2022. As at 30 June 2023, the Group had 533,138 heat supply users, representing an increase of approximately 4.6% from 509,528 users as at 30 June 2022.

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According to the 2023 Interim Report, the Group's construction, maintenance, design and other services cover the peripheral services business of the heat supply industry chain, mainly providing services such as construction and building of heat supply facilities, engineering maintenance and project design for heat supply enterprises or end-users. These services mainly cover northeast China.

1.2 Financial performance of the Group

Set out below is a summary of the Group's operating results as extracted from the 2022 Annual Report and the 2023 Interim Report:

	For the year ended		For the six months ended	
	31 December		30 June	
	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue				
<i>Heat supply segment</i>				
— Provision and distribution of heat	1,411,751	1,447,806	814,696	836,010
— Pipeline connection fee	70,117	71,261	34,487	34,802
— Heat transmission	<u>15,168</u>	<u>19,353</u>	<u>12,292</u>	<u>8,531</u>
	<u>1,497,036</u>	<u>1,538,420</u>	<u>861,475</u>	<u>879,343</u>
 <i>Construction, maintenance and design services segment:</i>				
— Engineering construction	57,776	43,819	10,709	9,329
— Engineering maintenance	43,977	26,481	3,607	—
— Design service	8,731	7,824	4,038	3,929
— Others	<u>42,078</u>	<u>38,161</u>	<u>7,713</u>	<u>5,753</u>
	<u>152,562</u>	<u>116,285</u>	<u>26,067</u>	<u>19,011</u>
	<u>1,649,598</u>	<u>1,654,705</u>	<u>887,542</u>	<u>898,354</u>
 Gross profit	325,316	230,648	127,355	225,618
<i>Gross profit margin</i>	19.7%	13.9%	14.3%	25.1%
 Net profit attributable to owners of the parent company	122,758	114,668	63,762	124,924

For the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023, the Group generated revenue from two operating segments, being (i) heat supply services and (ii) construction, maintenance and design services. Revenue generated from heat

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supply segment includes fees for provision and distribution of heat, entrance fees charged for connections to the Group's heat distribution network and heat transmission fees charged to other heat service providers. Revenue generated from construction, maintenance and design services includes engineering construction, engineering maintenance, design services and electrical instrument maintenance and repair.

Comparison of financial performance between the six months ended 30 June 2022 and 2023

Based on the 2023 Interim Report, the Group's revenue remained relatively stable at approximately RMB887.5 million for the six months ended 30 June 2022 (“1H2022”) and approximately RMB898.4 million in 1H2023, which is the combined effect of the increase in revenue generated from the heat supply business and the decrease in revenue generated from the construction, maintenance and design services business. The increase in revenue generated from the heat supply business was primarily due to an increase in heat service area and the number of heat supply users, while the decrease in revenue generated from the construction, maintenance and design services business was mainly attributable to the absence of engineering maintenance project during the period.

The Group's gross profit increased from approximately RMB127.4 million in 1H2022 to approximately RMB225.6 million in 1H2023, and the gross profit margin increased from approximately 14.3% in 1H2022 to 25.1% in 1H2023, which was mainly due to decrease in heat procurement costs by approximately 12.8% primarily resulting from the decrease in unit purchase price of heat sources.

The Group's profit attributable to owners of the Company increased from approximately RMB63.8 million in 1H2022 to approximately RMB124.9 million in 1H2023, which was in line with the increase in gross profit contributed by the Group's heating supply business.

Comparison of financial performance between the year ended 31 December 2021 and 2022

Based on the 2022 Annual Report, the Group's revenue remained relatively stable at approximately RMB1,649.6 million in FY2021 and approximately RMB1,654.7 million in FY2022, which was the combined effect of the increase in revenue generated from the heat supply business and the decrease in revenue generated from the construction, maintenance and design services business. The increase in revenue generated from the heat supply business was mainly attributable the increase in heat service area from approximately 61.8 million sq.m. as at 31 December 2021 to approximately 65.2 million sq.m. as at 31 December 2022. The decrease in revenue generated from the construction, maintenance and design services business was mainly attributable to the completion of the “Three Supplies and Property Management (三供一業)” projects and the pandemic, which led to a decrease in the number of large projects the Group undertook.

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The Group's gross profit decreased from approximately RMB325.3 million in FY2021 to approximately RMB230.6 million in FY2022, and the gross profit margin decreased from approximately 19.7% in FY2021 to approximately 13.9% in FY2022, mainly attributable to the increase in coal prices and heat procurement prices as well as the 7-day extension of heat supply as required by the government in response to the COVID-19 pandemic during FY2022.

The Group's net profit attributable to owners of the parent company decreased from approximately RMB122.8 million in FY2021 to approximately RMB114.7 million in FY2022.

1.3 *Business outlook*

According to the National Bureau of Statistics of China (the "NBS") and the Statistic Bureau of Jilin* (吉林省統計局), the urbanization rates of the PRC and Jilin Province increased from approximately 54.8% and 54.8% in 2014 to approximately 65.2% and 63.7% in 2022, respectively. The number of urban residents of Jilin Province reached approximately 15.0 million in 2022. The rising urbanization rates in the PRC and Jilin Province lead to increasing demand for heating service and related urban municipal infrastructure, which is the fundamental driver of the development of heat supply and related construction, maintenance and design industry.

Pursuant to the National 14th Five-Year Plan for Urban Infrastructure Construction* (《「十四五」全國城市基礎設施建設規劃》) published in 2022 by National Development and Reform Commission* (國家發展和改革委員會) and Ministry of Housing and Urban-Rural Development* (住房和城鄉建設部), the PRC government continued to improve the central heating capacity, the municipal infrastructure, and service area, and to reduce heat loss rate of heating pipe network. Further, the government proposed to strengthen the construction and transformation of clean heat sources and pipe networks, and develop new energy, renewable energy, and other low-carbon energy sources. These favorable policies are expected to stimulate the demand for the high-quality heating infrastructure and drive the growth of the heat supply industry. According to the China Statistical Yearbook compiled by NBS, the length of heating pipelines and area of centralised heating of Jilin Province of the PRC has increased from approximately 17,309 k.m. to 34,762 k.m. and from approximately 450 million sq.m. to 722 million sq.m., respectively from 2014 to 2021.

According to the 14th Five-Year Plan for National Economic and Social Development of Changchun City and the Outline of Vision 2035* (《長春市國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) issued in 2021 by the government of Changchun, the municipal government proposed to construct city heating network, promote the application of "Internet+" in the heating industry and realize smart heating through integration. Moreover, it is proposed to carry out key projects such as reconstruction and expansion of regional boiler rooms and natural gas distributive heating, facilitating the speeding up of heating pipelines construction and improving the municipal heating infrastructure. With the development of national efforts on developing heating from clean energy sources and the goal of "carbon

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peaking and carbon neutrality”, the PRC government emphasized on accelerating the clean reform of coal-fired heating facilities, promoting the use of renewable energy for heating, eliminating the burning of bulk coal and speeding up the renovation of old heating pipelines.

In March 2022, the Ministry of Housing and Urban-Rural Development* (住房和城乡建设部) published the notice of the “14th Five-Year Plan for Building Energy Conservation and Green Building Development” (《「十四五」建築節能與綠色建築發展規劃》), aiming to complete the energy efficiency retrofit of more than 100 million sq.m. in existing residential buildings nationwide by 2025. As disclosed in the 2022 Annual Report, the release of a series of policies implies the future development of the heating industry will focus on promoting the provision of heat from clean energy sources, improving the efficiency of heating energy use, and accelerating the construction and renovation of heating pipelines. It is essential for the Group to optimize and adjust the heating structure and to improve the coverage of centralized heating, while focusing on the retrofitting of centralized heating pipeline network and increasing the proportion of clean energy sources in heating for better energy efficiency. It is the future development trend of urban heating in Changchun City to build a clean, low-carbon, safe and efficient heating system.

2. Information of the parties involved

As disclosed in the Letter from the Board, 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. Chuncheng Investment is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company.

Datang JV is a company established in the PRC and is owned by Chuncheng Investment and Datang Jilin Power Generation Co., Ltd.* (大唐吉林發電有限公司) as to 35% and 65%, respectively. Datang Jilin Power Generation Co., Ltd.* (大唐吉林發電有限公司) is a wholly-owned subsidiary of China Datang Corporation Ltd.* (中國大唐集團有限公司), a state-owned enterprise. Datang JV is an associate of Chuncheng Investment and is principally engaged in the provision of heat supply, construction, maintenance and distribution services to the automobile development zone in Changchun City.

New Model Pipes is a company established in the PRC and is owned by Chuncheng Investment as to 35%, Changchun Yude Pipes Co., Ltd.* (長春禹德管業有限公司) as to 33%, Jilin Province Xinda Investment Management Co., Ltd.* (吉林省新達投資管理有限公司) as to 24.5% and Langfang Huayu Tianchuang Energy Equipment Co., Ltd.* (廊坊華宇天創能源設備有限公司) as to 7.5%. Changchun Yude Pipes Co., Ltd.* (長春禹德管業有限公司) is a company owned by Liu Lizhi (劉立志), an Independent Third Party, as to approximately 90.9%. Jilin Province Xinda Investment Management Co., Ltd.* (吉林省新達投資管理有限公司) is a company owned as to approximately 47.7% by Jilin Ruiwen Investment Consulting Partnership (Limited Partnership) (吉林睿文投資諮詢合夥企業) (有限合夥), 29.1% by Chuncheng Investment and 23.2% by Shiwei

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Investment Holding Co., Ltd.* (世為投資控股有限公司). Langfang Huayu Tianchuang Energy Equipment Co., Ltd.* (廊坊華宇天創能源設備有限公司) is owned by four Independent Third Parties, namely Duan Wenyu (段文字), Li Yunhui (李雲輝), Duan Wenhui (段文暉) and Duan Shufeng (段書峰) as to approximately 59.9%, 24.1%, 15.5% and 0.5%, respectively. New Model Pipes is an associate of Chuncheng Investment and is principally engaged in pipeline manufacturing.

3. Principal terms of the Non-exempt CCT Agreements

3.1 *The 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment)*

3.1.1 *Principal terms*

Details of the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) are set out in the Letter from the Board. The principal terms and conditions of the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) are as follows:

Date:	11 October 2023
Parties:	(i) the Company (for itself and on behalf of its subsidiaries), as purchaser (ii) Chuncheng Investment (for itself and on behalf of its subsidiaries other than the Group), as supplier
Subject matter:	Chuncheng Investment Group shall supply heat to the Group in accordance with the requirements prescribed by the Group. Chuncheng Investment Group will enter into separate contracts with the Group in respect of the Group's orders for heat.
Term:	From 1 January 2024 to 31 December 2026 (both days inclusive)
Pricing terms and pricing policy:	The parties agree that the heat fee payable by the Group to Chuncheng Investment Group shall be determined with reference to the price payable by the Group to power plants which are Independent Third Parties for purchase of heat by the Group during the same period.

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The parties further agree that the actual heat fee per GJ charged by Chuncheng Investment Group shall not be higher than the state-prescribed price or state-recommended price promulgated by the PRC Government or the Jilin Provincial People's Government (where applicable). If no state-prescribed price or state-recommended price is available, the actual heat fee per GJ charged by Chuncheng Investment Group shall be determined with reference to the price payable by the Group to power plants which are Independent Third Parties for purchase of heat by the Group during the same period.

If there is any national and/or local laws and regulations or government policies which require the parties to go through a tender process before conclusion of a contract, the parties should comply with such laws, regulations or policies and conclude such contract after completion of the tender process.

3.1.2 Implementation of the pricing policies by the Group

As disclosed in the Letter from the Board, in determining the actual heat fee payable by the Group to Chuncheng Investment Group, the Group's planning and management department will make reference to the price quoted by power plants which are Independent Third Parties for supply of heat to the Group during the relevant period. At present, neither the PRC Government nor the Jilin Provincial People's Government has promulgated any state-prescribed price or state-recommended price in respect of the heat supplied by Chuncheng Investment Group to the Group. During the 2022–2023 heat supply period, the state-prescribed price applicable to heat supplied by power plants to the Group is RMB39 per GJ.

We have performed public search and were not aware of any specific state-prescribed price or state-recommended price in respect of heat supplied by coal-fired boilers in Jilin Province. Further, we have discussed with the Management and understood that due to the absence of state-prescribed price and state-recommended price, Chuncheng Investment Group agreed to adopt the state-prescribed price applicable to heat supplied by thermal power plants to the Group as reference for determining the heat fee payable by the Group under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment). We have also reviewed the Reply Regarding the Increase in Ex-factory Price of Heat* (《關於對上調採暖熱量出廠價格的批覆》) published by ChangChun Development and Reform Commission* (長春市發展和改革委員會) and noted that the state-prescribed price applicable to heat supplied by thermal power plants was adjusted to RMB39 per GJ in the 2022–2023 heat supply period, taking into account the impact caused by the increase in coal price. Based on the above, we concur with the

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Directors' view that (i) the principle of pricing policy in determining the service fee payable for the heat supplied by Chuncheng Investment Group is justifiable, fair and reasonable and (ii) the terms of the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) are on normal commercial terms and are fair and reasonable.

In addition, we obtained the internal memorandum prepared by the planning and management department for each year between 2021 and 2023, and observed that assessment was made before the commencement of each heat supply period on the procurement of heat from Chuncheng Investment Group. The internal memorandums indicated, among others, (i) heat prices obtained from Independent Third Parties during the negotiation with them, which were higher than the price offered by Chuncheng Investment Group, and (ii) the commercial rationale of procuring heat from Chuncheng Investment Group, including but not limited to the stability and heat production capacity of Chuncheng Investment Group and the Independent Third Parties. Accordingly, we consider effective internal control is in place to ensure the terms of the transactions in compliance with pricing policy under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment).

3.2 *The 2024–2026 Heat Procurement Framework Agreement (Datang JV)*

3.2.1 Principal terms

Details of the 2024–2026 Heat Procurement Framework Agreement (Datang JV) are set out in the Letter from the Board. The principal terms and conditions of the 2024–2026 Heat Procurement Framework Agreement (Datang JV) are as follows:

Date:	11 October 2023
Parties:	(i) the Company (for itself and on behalf of its subsidiaries), as purchaser (ii) Datang JV, as supplier
Subject matter:	Datang JV shall supply heat to the Group in accordance with the requirements prescribed by the Group. Datang JV will enter into separate contracts with the Group in respect of the Group's orders for heat.
Term:	From 1 January 2024 to 31 December 2026 (both days inclusive)

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Pricing terms and pricing policy:

The parties agree that the actual heat fee payable by the Group to Datang JV shall be determined through fair negotiation between the parties as to be set out in the relevant separate contracts and on terms no less favourable than those offered to the Group by Independent Third Parties.

If there is any national and/or local laws and regulations or government policies which require the parties to go through a tender process before conclusion of a contract, the parties should comply with such laws, regulations or policies and conclude such contract after completion of the tender process.

3.2.2 Implementation of the pricing policies by the Group

As disclosed in the Letter from the Board, the pricing terms and pricing policies adopted by the Group for the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Datang JV) will be the same as that under the 2021–2023 Heat Procurement Framework Agreement (Datang JV), details of which are set out below.

In determining the actual heat fee per GJ payable by the Group, the parties shall make references to the relevant historical prices for heat supply and collect industry information on market price and profitability from various sources, such as state-prescribed price, state-recommended price and other similar heat service providers, and determine the heat fee based on average market profit rate or on cost-plus basis in order to ensure the fairness and reasonableness of the rate. The costs of Datang JV mainly comprise price of raw materials and auxiliary materials such as coal, water, electricity, natural gas, wages and repairs and maintenance etc..

The parties further agree that the actual heat fee per GJ charged by Datang JV shall not be higher than the state-prescribed price or state-recommended price promulgated by the PRC Government or the Jilin Provincial People's Government (where applicable). If no state-prescribed price or state-recommended price is available, the actual heat fee per GJ charged by Datang JV shall not be higher than the fair market price.

At present, there is neither state-prescribed price nor state-recommended price governing the heat supplied by Datang JV to the Group. In determining the actual heat fee per GJ charged by Datang JV, the Group will make reference to such price offered by Independent Third Party supplier(s) as well as Xixing Energy's cost of heat production from coal-fired boilers to ensure that the price charged by Datang JV will be lower than the aforementioned comparable prices.

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We understood from the Management that Xixing Energy currently owns six coal-fired boilers, five of which were constructed in 2002 and one in 2015. As the boilers are relatively antiquated, high monetary and time cost would be incurred in order for Xixing Energy to meet the environmental standards when producing heat using its own boilers. Accordingly, procurement of heat from outside suppliers would lower the environmental-related costs and the risk of being fined or penalised for non-compliance with environmental regulations. We conducted public search and noted that the State Council of the PRC published the Circular of the State Council on an Action Plan for Peaking Carbon Emissions Before 2030 in October 2021, which aimed to strengthen the energy management of new infrastructure and required to include all data of annual comprehensive energy consumption exceeding 10,000 tons of coals into the online monitoring system and to conduct reviews of energy measurement. Moreover, the Standardization Administration published Technical Specification for Energy Online Monitoring of Energy Consumption Units* (用能單位能耗在綫監測技術要求). Administrative Punishment Measures for the Ecological Environment* (生態環境行政處罰辦法) were approved by Ministry of Ecology and Environment of the PRC and took effect on 1 July 2023. In addition, we obtained the internal memorandum prepared by Xixing Energy for each year between 2021 and 2023, and observed that assessment was made before the commencement of each heat supply period on the procurement of heat from Datang JV. The internal memorandums indicated, among others, the commercial rationale of procuring heat from Datang JV, including but not limited to the stability and heat production capacity of Datang JV and the Independent Third Parties and prices quoted from them. Accordingly, we consider effective internal control is in place to ensure the terms of the transactions in compliance with pricing policy under the 2024–2026 Heat Procurement Framework Agreement (Datang JV).

3.3 The 2024–2026 Construction Framework Agreement

3.3.1 Principal terms

Details of the 2024–2026 Construction Framework Agreement are set out in the Letter from the Board. The principal terms and conditions of the 2024–2026 Construction Framework Agreement are as follows:

Date:	11 October 2023
Parties:	(i) the Company (for itself and on behalf of its subsidiaries), as service provider
	(ii) Chuncheng Investment (for itself and on behalf of its subsidiaries other than the Group), as customer

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Subject matter: The Group shall provide construction, maintenance and design services to Chuncheng Investment Group in accordance with the requirements prescribed by Chuncheng Investment Group and the Group's regulations.

The services will include:

- (a) engineering construction services which include heating facility construction, pipeline installation, boiler installation, heat exchange station installation, heat facility maintenance and construction management;
- (b) engineering maintenance services such as carrying out heating facility cleaning, installation, repair and maintenance as well as replacement services;
- (c) design services such as designing and providing consultancy and technical services for construction projects of distribution networks, heat exchange stations, as well as boiler rooms; and
- (d) electrical and instrument maintenance and repair services such as services of testing, maintenance and repair of instruments such as gauges, meters and variable-frequency drives.

The Group will enter into separate implementation contracts with Chuncheng Investment Group in respect of each project.

Term: From 1 January 2024 to 31 December 2026 (both days inclusive)

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Pricing terms and pricing policy:

The price charged by the Group in respect of services provided by and materials supplied by the Group to Chuncheng Investment Group will be determined with reference to the state-prescribed price. Where there is no state-prescribed price, reference will be made to the relevant state-recommended price. Where there is no state-prescribed price and state-recommended price, reference will be made to the regional market price of the same or comparable types of services or materials that are offered by the Group to independent customers under normal commercial terms in the ordinary course of business and such price shall be no less favourable to the Group than that offered by the Group to independent customers.

If there is any national and/or local laws and regulations or government policies which require the parties to go through a tender process before conclusion of a contract, the parties should comply with such laws, regulations or policies and conclude such contract after completion of the tender process.

3.3.2 Implementation of the pricing policies by the Group

The pricing terms and pricing policies adopted by the Group for the transactions contemplated under the 2024–2026 Construction Framework Agreement will be the same as that under the 2021–2023 Construction Framework Agreement, details of which are set out below:

(1) Construction services and maintenance services

According to the Letter from the Board, the Group provides its construction services and maintenance services on project basis and each project would require various types of services and raw materials.

Depending on the requirement of the individual project, the Group may be required to procure the necessary raw materials for the construction services and maintenance services as well. Hence, in addition to the service fees charged by the Group, the Group will also include the materials cost in its fee quote if the Group is required to procure the necessary raw materials.

In arriving at the final fee quote, the Group would need to aggregate the fees for each type of services and raw materials (where applicable) to be rendered under the project.

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In general, the Group adopts the following pricing policies in determining the fees charged by the Group for each type of services and raw materials (where applicable):

- (i) where there is a state-prescribed price, the Group must follow the state-prescribed price as required by applicable laws and regulations;
 - (ii) where there is no state-prescribed price but only the state-recommended price, while enterprises may choose to deviate from the state-recommended price, as part of the Group's internal policies, the Group will generally adopt the state-recommended price; and
 - (iii) where there is neither state-prescribed price nor state-recommended price, the Group will make reference to the regional market price of the same or comparable types of services and/or materials that are offered to independent customers by the Group under normal commercial terms in the ordinary course of business.
- (a) Service fees

The Jilin Department of Housing and Urban-Rural Development* (吉林省住房和城鄉建設廳) (the “**HURD**”) formulates and updates the state-prescribed prices from time to time and in accordance with “the Code for Valuation of Construction Engineering Quantity List”* (《建設工程工程量清單計價規範》) (GB50500-2013) jointly promulgated by the Department of Housing and Urban-Rural Department of the PRC* (中華人民共和國住房和城鄉建設部) and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC* (中華人民共和國國家質量監督檢驗檢疫總局). The HURD prescribes a detailed list of state-prescribed prices for each type of construction services and maintenance services.

Furthermore, services with different specifications (for example installation of pipelines of different specifications) are subject to different state-prescribed prices. These state-prescribed prices could be found at the Jilin Province Construction Project Cost Information Website* (吉林省建設工程造價信息網) (www.jlszjw.com). Based on the information currently available to the Company (including the current applicable prevailing laws and regulations), all construction services and maintenance services to be provided by the Group to Chuncheng Investment Group are subject to state-prescribed prices which the Group is bound to adopt.

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(b) Raw materials price

Currently, while there is no state-prescribed price for raw materials, relevant government departments will provide state-recommended prices for certain types of raw materials from time to time. At present, the “2020 Notice on Regulation on Valuation of Construction Engineering of Changchun City”* (《關於2020年長春市建設工程計價有關規定的通知》) published by the Changchun Urban and Rural Construction Committee* (長春市城鄉建設委員會), the Development and Reform Commission of Changchun City* (長春市發展和改革委員會) and the Finance Bureau of Changchun City* (長春市財務局) in February 2021 provides state-recommended prices for a variety of raw materials. As part of the Group’s internal policies, the Group will generally adopt these state-recommended prices for raw materials when formulating the fee quote.

For raw materials where there is neither state-prescribed price nor state-recommended price, the Group will make reference to the regional market price for that type of raw materials which could be found at the raw materials price website (廣材網) (www.gldjc.com) (the “Raw Materials Price Website”). The Raw Materials Price Website is recognised by market players within the construction industry as a reliable online pricing information platform which contains information as to the latest regional market prices and price trends for different types of construction materials in different cities.

We have reviewed the Code for Valuation of Construction Engineering Quantity List* (《建設工程工程量清單計價規範》), which prescribed pricing method of construction, fee items, taxation, contract, tender checklist etc. Further, Fee Standards of Construction Project Cost Consulting Service of Jilin Province* (《吉林省建設工程造價諮詢服務收費標準》) describes fee standards of different construction consultancy services.

We have reviewed, on a sampling basis, the internal project assessment records of the projects from 1 January 2021 to 30 June 2023. Such internal project assessment records include, among others, the quotation formulation working, which shows the estimation of the costs of projects such as the service fee and materials prices. Further, we have reviewed Measures of Jilin Province on Management of Construction Engineering Cost* (《吉林省建設工程造價管理辦法》) published by the Jilin Provincial Government and noted the Group shall make reference to (i) the Jilin Province Construction Project Cost Information Website* (吉林省建設工程造價信息網) (www.jlszjw.com) (the “Construction Cost Information Website”) for determining the price charged for construction and maintenance services; and (ii) the raw materials price website* (廣材網) (www.gldjc.com) (the “Raw Materials Price Website”) for determining the price of raw material charged. We have visited the

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Construction Cost Information Website and noted the webpage contains information related to the state-prescribed price for the construction and maintenance services, labor cost, settlement, quality, safety and cost management etc. We have visited the Raw Materials Price Website and noted it is an online pricing information platform which contains information as to the latest regional market prices for construction materials.

(2) Design services

In determining the service fees charged by the Group for the design services to be rendered, the Group will adopt the following pricing policies:

- (i) where there is a state-prescribed price, the Group must follow the state-prescribed price as required by applicable laws and regulations;
- (ii) where there is no state-prescribed price but only the state-recommended price, while enterprises may choose to deviate from the state-recommended price, as part of the Group's internal policies, the Group will generally adopt the state-recommended price; and
- (iii) where there is neither state-prescribed price nor state-recommended price, the Group will make reference to the regional market price of the same or comparable types of services that are offered to independent customers by the Group under normal commercial terms in the ordinary course of business.

The China Engineering & Consulting Association* (中國勘探設計協會) (the "CECA") formulates and updates the state-recommended prices for design services from time to time and in accordance with the "Announcement on the Statistical Analysis of the Information on the Cost Elements of Municipal Engineering Design Services"* (《關於市政工程設計服務成本要素信息統計分析情況的通報》) promulgated by the CECA and the "Administrative Regulations on Management of the Pricing of Engineering Survey and Design"* (《工程勘察設計收費管理規定》) promulgated by the State Planning Commission of the PRC* (中華人民共和國國家計劃委員會) and the Ministry of Construction of the PRC* (中華人民共和國建設部). These state-recommended prices could be found at the website of the CECA (www.chinaeda.org.cn). As part of the Group's internal policies, the Group will in general adopt these state-recommended prices when formulating the fee quote for its design services. Based on the information currently available to the Company (including the current applicable prevailing laws and regulations), while there is no state-prescribed price for design services at present, there are state-recommended prices for all types of design services to be provided by the Group to Chuncheng Investment Group.

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We have visited the website of the China Engineering & Consulting Association (中國勘察設計協會) (www.chinaeda.org.cn) (the “Design Cost Information Website”) and noted it contains information related to the state-recommended price and regional price guidance for the type of design services the Group provides to the Chuncheng Investment Group.

In assessing whether the pricing offered by the Group to Chuncheng Investment Group is fair and reasonable and no less favourable than those offered by the Group to independent customers, we have reviewed sample historical transaction records between 1 January 2021 and 30 June 2023, covering the largest projects for FY2021, FY2022, and 1H2023 carried out by respective subsidiaries of the Company, which were engaged in the provision of construction and maintenance services and design services. In respect of construction services and maintenance services, we observed from the sample transaction records that (i) the Group compared gross profit margin on comparable type of project to ensure that the gross profit margin of the transactions entered into would not be lower than that offered or quoted by the other Independent Third Party for similar projects, and (ii) there were approval forms for connected transactions reviewed and confirmed by signatory subsidiaries of contracts, risk control and compliance department, and planning and management department, to ensure that the connected transactions were conducted in accordance with the Connected Transactions Management Regulations (《關連交易管理規定》). In respect of design services, we observed from the sample transaction records that (i) the design fee was calculated according to a state-prescribed formula, mainly determined by the total construction fees and adjusted for several coefficients based on types of construction projects and its complexity; we performed public search and noted that the pricing approach in the sample contracts is consistent with that disclosed in the Guideline of Engineering Survey and Design Fee in Jilin Province* (吉林省工程勘察設計收費導則); and (ii) there were internal approval documents for provision of design services to Chuncheng Investment Group, reviewed by the business planning department and legal advisors and approved by subsidiary head. Accordingly, we consider effective internal control is in place to ensure the terms of the transactions in compliance with pricing policy under the 2024–2026 Construction Framework Agreement.

Since the historical transaction records we have reviewed covered over 60% of the revenue from services provided by the Group to Chuncheng Investment Group for FY2021, FY2022, and 1H2023, we considered we have reviewed sufficient samples of historical transactions in arriving at our conclusion.

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3.4 *The 2024–2026 Pipes Supply Framework Agreement*

3.4.1 *Principal terms*

Details of the 2024–2026 Pipes Supply Framework Agreement are set out in the Letter from the Board. The principal terms and conditions of the 2024–2026 Pipes Supply Framework Agreement are as follows:

Date:	11 October 2023
Parties:	(i) the Company (for itself and on behalf of its subsidiaries), as purchaser (ii) New Model Pipes (for itself and on behalf of its subsidiaries), as supplier
Subject matter:	New Model Pipes Group shall supply pipes for heating supply to the Group in accordance with the requirements prescribed by the Group. The Group will enter into separate implementation contracts with New Model Pipes Group in respect of each order for pipes.
Term:	From 1 January 2024 to 31 December 2026 (both days inclusive)
Pricing terms and pricing policy:	The price charged by New Model Pipes Group in respect of pipes ordered will be determined with reference to the state-prescribed price. Where there is no state-prescribed price, reference will be made to the relevant state-recommended price. Where there is no state-prescribed price and state-recommended price, reference will be made to the regional market price of the same or comparable types of products that are offered to the Group by independent suppliers under normal commercial terms in the ordinary course of business and such price shall be no less favourable to the Group than that offered by independent suppliers to the Group.

If there is any national and/or local laws and regulations or government policies which require the parties to go through a tender process before conclusion of a contract, the parties should comply with such laws, regulations or policies and conclude such contract after completion of the tender process.

3.4.2 Implementation of the pricing policies by the Group

The pricing terms and pricing policies adopted by the Group for the transactions contemplated under the 2024–2026 Pipes Supply Framework Agreement will be the same as that under the 2021–2023 Pipes Supply Framework Agreement, details of which are set out below.

Where there is no state-prescribed price and state-recommended price, and the Group is required to make reference to regional market price of same or comparable types of products, the Group has adopted the following management procedures to determine the fairness and reasonableness of the price and terms offered to the Group by New Model Pipes Group:

For contracts that require a tender process

The procurement cost will depend on the outcome of a competitive bidding process. The Group will first draft and review the relevant tender invitation documentation and ensure that the terms and conditions required for the bidders, which are set out according to the Group’s requirements and the then market practice, comply with the relevant PRC laws on tenders and the internal compliance manuals of the Company. The Group’s management will assess and ensure that all winning bidders comply with the terms and conditions as set out in relevant tender invitation documentation.

For contracts that do not require a tender process

The Group will obtain quotations from more than three independent suppliers for similar products in similar quantities to determine if the price offered by New Model Pipes Group is fair and reasonable.

At present, all of the Group’s procurement of pipes contracts are required to be conducted via tender process. All tenders are to be conducted in compliance with the “Tendering and Bidding Law of the PRC”* (《中華人民共和國招標投標法》), the “Regulations for the Implementation of the Tendering and Bidding Law of the PRC”*(《中華人民共和國招標投標法實施條例》)and the Notice of the General Office of the National Development and Reform Commission on further implementing the “Regulations on Engineering Projects which must be conducted via Bidding”* and “Regulations on the Scope of Infrastructure and Utility Projects which must be conducted via Bidding”* (《國家發展改革委辦公廳關於進一步做好《必須招標的工程項目規定》和《必須招標的基礎設施和公用事業項目範圍規定》實施工作的通知》). The Company will set out the terms and conditions in the tender invitation documentation and will include a price ceiling for each bid. The price ceiling is set by the Company after taking into account the Group’s historical procurement costs for the past two years, market price and prices quoted by suppliers who are Independent Third Parties.

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During the tender process, each of the bidders (including New Model Pipes Group if it participates in the bidding process) will submit its tender setting out its terms and conditions for supplying pipes to the Group and will include the price of pipes intended to be charged by such bidder.

Each of the tender documents will be evaluated and assessed to choose the winning bidder. As such, the final procurement cost will depend on the outcome of a competitive bidding process and the price submitted by the bidders (including New Model Pipes Group if it has participated in the bidding process), which shall not be higher than the price ceiling set by the Company in the tender invitation documentation.

In assessing whether the pricing charged by New Model Pipes is fair and reasonable, we have discussed with the Management about the tender process and have reviewed samples of documents and noted that (i) the materials management office would first propose a ceiling price of each type of pipes with reference to the historical prices to the planning and management department, which would then evaluate the proposed prices by comparing with market price of comparable products; (ii) in general, the list of proposed ceiling price approved by the planning and management department would be reviewed by a professional construction project management firm and a report would be issued by the firm suggesting the final price ceiling to be adopted; (iii) tender process would begin with tender invitations and each of bidders would be required to submit their tender documents together with their audited financial reports, track record contracts, qualification documents etc.; (iv) the tender agent would organize the public tender process and external experts would be appointed to assess the bidders and their tender documents submitted; and (v) the tender would be awarded to bidder with the highest comprehensive score calculated based on the assessment of the external experts.

Further, we have reviewed samples of historical transaction records entered into by the Group with New Model Pipes Group on the procurement of pipes for heating supply from 1 January 2021 to 30 June 2023 and noted that (i) the procurement costs for the pipes were based on the outcome of tender process; and (ii) there were internal approval documents for procurement of pipes from New Model Pipes Group, reviewed by the material and equipment department, lawyers or risk control and compliance department, and approved by signatory department head and/or the chairman. Accordingly, we consider effective internal control is in place to ensure the terms of the transactions in compliance with pricing policy under the 2024–2026 Pipes Supply Framework Agreement.

Since the historical transaction records we have reviewed covered over 60% of the pipe procurement for FY2021, FY2022, and 1H2023, we considered that we have reviewed sufficient samples of historical transactions in arriving at our conclusion.

4. Reasons for and benefits of entering into Non-exempt CCT Agreements

According to the Letter from the Board, the Board considers that the Non-exempt CCT Agreements will bring the following benefits to the Company:

4.1 *The 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment)*

According to the Letter from the Board, the heat procured by the Group from Chuncheng Investment Group pursuant to the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) mainly comprises heat produced from the Coal-fired Boilers and the Peak-Shaving Boilers owned by Chuncheng Investment Group.

As disclosed in the circular of the Company dated 15 October 2021, prior to the Company’s acquisition of Yatai Heating in 2021, Yatai Heating underwent the reorganisation whereby certain coal-fired boilers (the “**Coal-fired Boilers**”) were transferred by Yatai Heating to Chuncheng Investment. In order to ensure the continuous supply of heat by Yatai Heating to its existing customers in its ordinary and usual course of business, Yatai Heating has been procuring from Chuncheng Investment heat produced by these Coal-fired Boilers pursuant to the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating). The procurement of heat produced by these Coal-fired Boilers under the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating) allows Yatai Heating to continue to supply heat to its customers in the same manner as it did before the implementation of the reorganisation without any need of reconstruction or alteration to its relevant heat supply network, which would otherwise attract time and costs to Yatai Heating for it to be able to resume the supply of heat through the relevant heat supply network. To ensure the continuous supply of heat to Yatai Heating’s existing customers, it is expected that Yatai Heating will continue to procure from Chuncheng Investment heat produced by these Coal-fired Boilers in the forthcoming heat supply periods.

We have reviewed samples of agreements entered into between Yatai Heating and Chuncheng Investment Group and noted that Yatai Heating has been procuring heat from four coal-fired boilers plants, namely Fuhao Coal-fired Boiler Plant, Lvyuan Coal-fired Boiler Plant, Fuan Coal-fired Boiler Plant and Yongchun Coal-fired Boiler Plant.

In addition, according to the power grid coordination rules, two of Chuncheng Investment Group’s coal-fired boiler plants (i.e. the Peak-Shaving Boilers) are designated as peak-shaving boilers. Given the Group’s primary pipeline network is connected with Chuncheng Investment Group’s Peak-Shaving Boilers and the heat production capacity of the No. 2 Cogeneration Plant is already saturated and currently there is no plan to expand its production capacity, in order to maintain the Group’s business operations and ensure the quality of its heat supply, the Group would need to continue to purchase heat from these Peak-Shaving Boilers during peak time periods to satisfy its increased demand for heat.

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Based on the above, we concur with the Directors' view that the entering into of the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) is in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

4.2 The 2024–2026 Heat Procurement Framework Agreement (Datang JV)

According to the Letter from the Board, Datang JV is principally engaged in the provision of heat supply, construction, maintenance and distribution services to the automobile development zone in Changchun City and Xixing Energy, a wholly-owned subsidiary of the Company, has operations in Datang JV's heat service area. Given the convenient proximity of Datang JV, Xixing Energy has been purchasing heat from Datang JV since the 2019–2020 heat supply period which commenced in October 2019. Having considered the stable supply of heat by Datang JV as well as the ongoing operations of the Group, the Company considers that transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Datang JV) could enable the Group to procure heat at a cost-efficient manner as compared to other heat suppliers.

As discussed with the Management, Xixing Energy is located in Lvyuan District* (綠園區), Changchun City, where there are only two heat sources nearby with intersecting pipelines — Datang JV and Jilin Tongxin Thermal Co., Ltd. (“**Tongxin**”)* (吉林省同心熱力有限責任公司). Taking into account (i) the comparative advantages of Datang JV on the financial and operational stability over Tongxin and (ii) the lower price of heat offered by Datang JV, the Company decides to procure from Datang JV. We conducted a public search and noted that Datang JV and Tongxin are located in proximity and there are no other similar companies within 2km around Xixing Energy. We also obtained a contract of supplying heating hot water by Datang JV to Tongxin and noted that the price during the peak season was much higher than that offered to Xixing Energy. Therefore, we concur with the Directors' view that entering into of the 2024–2026 Heat Procurement Framework Agreement (Datang JV) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4.3 The 2024–2026 Construction Framework Agreement

According to the Letter from the Board, Chuncheng Investment Group requires certain construction, maintenance and design services during its course of business. Having considered the Group's competitive strengths in heat supply construction, maintenance and design services and the quality of the Group's services (including quality control and assurance services), Chuncheng Investment Group has been procuring construction, maintenance and design services from the Group since 2018. It is expected that the Group will continue to participate in Chuncheng Investment Group's tender process where applicable and the Group will continue to provide construction, maintenance and design services to Chuncheng Investment Group going forward.

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Having considered (i) the services provided to Chuncheng Investment Group are principal business of the Group; (ii) the flexibility for the Group to choose whether or not to participate in Chuncheng Investment Group's tendering process or to provide the service; (iii) the service fee offered to Chuncheng Investment Group is not lower than that offered or quoted to independent customers for similar construction services; (iv) the 2024–2026 Construction Framework Agreement will enable the Company to continue its capitalization on such relationship and to maintain a stable income stream with Chuncheng Investment Group; and (v) the entering into of the 2024–2026 Construction Framework Agreement shall not restrict the Group's choice to offer the services to any other customers, we concur with the Directors' view that the entering into of the 2024–2026 Construction Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4.4 The 2024–2026 Pipes Supply Framework Agreement

As disclosed in the Letter from the Board, pipe is one of the Group's key raw materials for its construction, maintenance and design services. Having considered the price, product quality, timely delivery and after-sales services offered by New Model Pipes Group to the Group, the Group has been purchasing pipes from New Model Pipes Group since 2017. It is expected that New Model Pipes Group will continue to participate in the Group's tender process where applicable and the Group will continue to purchase pipes from New Model Pipes Group going forward.

As discussed with the Management, since the completion of acquisition of Xixing Energy and Yatai Heating in 2020, the heat service area of the Group has been increasing each year, leading to the growing demand for heating pipes. According to the Company's annual reports, the Group's heat service area increased from approximately 60.2 million sq.m. in 2020 to 61.8 million sq.m. in 2021 and further to 65.2 million sq.m. in 2022. Moreover, the demand for heating pipes is expected to sustain as projects such as construction of new pipelines and heat grid network refitting, and regular replacement of pipeline network, equipment overhaul, and repair each year are expected to be carried out by the Group.

As confirmed by the Directors, as the 2024–2026 Pipes Supply Framework Agreement is entered into in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impracticable to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules, if necessary.

Having considered (i) pipes are one of the Group's key raw materials for its construction, maintenance and design services, (ii) procurement of pipes is in the ordinary and usual course of business of the Group, (iii) the Group has been purchasing pipes from New Model Pipes since 2017, and thus the established business relationship is beneficial to the Group in prices and terms negotiation as well as maintaining the stability of product quality, and (iv) the price charged by New Model Pipes shall be no less favourable to Group than that offered by

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independent suppliers to the Group, we concur with the Directors' view that the terms of the 2024–2026 Pipes Supply Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. Historical transaction amounts and the proposed annual caps under the Non-exempt CCT Agreements

5.1 *The 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment)*

5.1.1 *Proposed annual caps*

According to the Letter from the Board, heat to be procured by the Group from Chuncheng Investment Group pursuant to the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) mainly comprises heat produced from the Coal-fired Boilers and the Peak-Shaving Boilers owned by Chuncheng Investment Group.

In arriving at the proposed annual caps, the Board considered factors including (i) the expected amount of heat to be generated from and supplied by Chuncheng Investment Group's Coal-fired Boilers and Peak-Shaving Boilers to the Group for each of the three years ending 31 December 2026; (ii) state-prescribed price applicable to heat supplied by power plants to the Group of RMB39 per GJ during the 2022–2023 heat supply period; and (iii) the expected increase in the state-prescribed price applicable to heat supplied by power plants to the Group during the three years ending 31 December 2026.

In particular, the Group's heat service area is expected to increase by approximately 3 million sq.m., 2 million sq.m., and 1 million sq.m. in 2024, 2025 and 2026, respectively, as the Company considers that there would be construction and development of new buildings within the Group's heat service area in the coming years. Based on the usual annual heat consumption rate of the Group's customers of 0.4 GJ per sq.m., it is expected that there would be an additional demand for heat by the Group of approximately 1.2 million GJ, 0.8 million GJ and 0.4 million GJ for each of the three years ending 31 December 2026, respectively.

The table below sets out the proposed annual caps for the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) for the respective periods:

	FY2024	FY2025	FY2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual caps	180,400	240,100	286,200

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5.1.2 Historical transaction amounts

As disclosed in the Letter from the Board, the historical transaction amounts for the transactions conducted pursuant to the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating) and the 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment) were as follows:

	FY2021	FY2022	FY2023 (up to
	RMB'000	RMB'000	30 June 2023) RMB'000
Historical transaction amounts	66,105 <i>(Note 1)</i>	117,328	64,832 <i>(Note 2)</i>
Annual cap under the 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment)	24,832	93,120	93,120
Annual cap under the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating)	83,800	77,910	77,910
Total annual cap	108,632	171,030	171,030
Utilisation rate (%)	60.9%	68.6%	75.8% <i>(Note 3)</i>

Notes:

- (1) The 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment) was entered into on 25 September 2021 and the Group only commenced procuring heat from Chuncheng Investment Group pursuant to the 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment) since November 2021. Prior to that, the Group has only been purchasing heat from Chuncheng Investment Group via Yatai Heating pursuant to the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating).
- (2) The heat supply period in Jilin Province usually runs from October to April of the following year, and the Group usually procures more heat during the heat supply period. As such, the historical transaction amount for the six months ended 30 June 2023 may not be an accurate indicator of the total transaction amount for the full year ending 31 December 2023.
- (3) Utilisation rate for FY2023 (up to 30 June 2023) was calculated by dividing the historical transaction amounts for 1H2023 by half of the annual cap for FY2023, which amounted to RMB85,515,000.
- (4) According to the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating) and the 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment), in determining the actual heat fee per GJ payable by the Group, the parties shall make references to the relevant historical prices for heat supply and collect industry information on market price and profitability from various sources, such as state-prescribed price, state-recommended price and other similar heat service providers, and determine the heat fee based on average market profit rate or on cost-

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plus basis in order to ensure the fairness and reasonableness of the rate. In particular, the intended heat price per GJ under the 2021–2023 Heat Procurement Framework Agreement (Yatai Heating) and the 2021–2023 Heat Procurement Framework Agreement (Chuncheng Investment) was RMB56 and RMB62.08, respectively. Please refer to the Company’s circulars dated 25 November 2020 and 15 October 2021 for further information. However, pursuant to the terms of the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment), in the absence of state-prescribed price or state-recommended price, the actual heat fee payable by the Group shall be determined with reference to the price payable by the Group to power plants which are Independent Third Parties for purchase of heat by the Group during the same period.

As advised by the Management, the utilisation rate was 60.9% in 2021 since the actual amount of heat supplied to the new heat service area extended in 2021 was relatively lower due to the better thermal insulation structure and the lower residence rate of the newly constructed communities. The utilisation rate was 68.6% and 75.8% in 2022 and 1H2023, respectively, mainly due to the decrease in price of heat.

5.1.3 The expected amount of heat

In assessing the fairness and reasonableness of the expected amount of heat to be procured by the Group from Chuncheng Investment Group in 2024, 2025 and 2026, we have discussed with the Management and understood that (i) it is expected that a total of approximately 2.9 million GJ of heat would be procured by the Group from Chuncheng Investment Group in FY2023; (ii) the Group’s heat service area is expected to increase by approximately 3 million sq.m., 2 million sq.m., and 1 million sq.m. in 2024, 2025 and 2026, respectively, as the Management considered that there would be construction and development of residential areas and public infrastructure such as hospital within the Group’s heat service area during the three years ending 31 December 2026, hence there would be an additional demand for heat by the Group of approximately 1.2 million GJ, 0.8 million GJ and 0.4 million GJ for each of the three years ending 31 December 2026, respectively, based on the usual annual heat consumption rate of the Group’s customers of 0.4 GJ per sq.m. Thus, the total amount of heat procured from Chuncheng Investment Group is expected to be approximately 4.1 million GJ, 4.9 million GJ and 5.3 million GJ in 2024, 2025 and 2026, respectively.

As advised by the Management, (i) it is expected that a total of approximately 2.9 million GJ of heat would be procured by the Group from Chuncheng Investment Group in FY2023; and (ii) the heat supply period in Jilin Province generally starts in October in a year and ends in April in the follow year. According to the 2022 Annual Report and 2023 Interim Report, the total heat procurement by the Group from Chuncheng Investment Group amounted to approximately 2.2 million GJ and 1.9 million GJ in FY2022 and 1H2023, respectively. Based on the above, we considered that the expected total procurement amount of approximately 2.9 million GJ of heat in FY2023 is reasonable.

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To assess the reasonableness of the expected increase in the heat service area of approximately 3 million sq.m., 2 million sq.m., and 1 million sq.m. in 2024, 2025 and 2026, respectively, we have reviewed and noted from the 2022 Annual Report that, the Group's heat service area increased from approximately 61.8 million sq.m. as at 31 December 2021 to approximately 65.2 million sq.m. as at 31 December 2022, representing an increase of approximately 3.4 million. Furthermore, as advised by the Management, the Group has initiated negotiation with one hospital and two property companies for the potential heat service in 2024. Looking forward in 2025 and 2026, the Management expected that it took time for the economy to fully recover from the COVID-19 pandemic and the real estate market in China may continue to sluggish; thus the heat service area in 2025 and 2026 is expected to increase at slower pace.

According to the Evaluation Standard of Operation Management for District Heating Enterprises issued by the Jilin government, heat consumption per unit area of heating building is 0.36 GJ/m² for regional boiler rooms and 0.42 GJ/m² for cogeneration of both power and heat. We further understood from the Management that the new heat service area is expected to be situated in Changchun City and in proximity with the existing heat service area of the Group, and thus it is expected that the new heat service area would be subject to similar factors such as population density, demographic factors and climate. Therefore, we consider the use of annual heat consumption rate of 0.4 GJ per sq.m. in estimating the expected amount of heat is justifiable and the additional demand for heat by the Group of approximately 1.2 million GJ, 0.8 million GJ and 0.4 million GJ for each of the three years ending 31 December 2026, respectively, is fair and reasonable.

Based on the above, we considered that the total expected amount of heat procured from Chun Cheng Investment Group of approximately 4.1 million GJ, 4.9 million GJ and 5.3 million GJ in 2024, 2025 and 2026, respectively, is fair and reasonable.

5.1.4 State-prescribed price and the expected increase in the state-prescribed price

We have discussed with the Management and understood that in determining the proposed annual caps, they have taken into account the expected unit price of heat per GJ of RMB44, RMB49 and RMB54 in 2024, 2025 and 2026, respectively. We further understood that the expected unit price is determined by reference to, among other things, (i) the unit price per GJ of RMB39 for heat factory price prescribed by ChangChun Development and Reform Commission* (長春市發展和改革委員會) in accordance with the the Reply Regarding the Increase in Ex-factory Price of Heat* (《關於對上調採暖熱量出廠價格的批覆》) (長發改價格[2022]279號); and (ii) the expected increase in the state-prescribed price.

We have reviewed the Reply Regarding the Increase in Ex-factory Price of Heat* (《關於對上調採暖熱量出廠價格的批覆》) published by ChangChun Development and Reform Commission* (長春市發展和改革委員會) and noted that the state-prescribed price applicable to heat supplied by thermal power plants was adjusted upward taking

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into account the impact caused by the increase in coal price. We also performed public search on the historical trend of price of coal, one of the major raw materials for the supply of heat, and noted that, by reference to the Bohai-Rim Steam-Coal Price Index (BSPI) which represents a gauge of coal prices in major ports of north China, the index increased from RMB593 per ton in January 2021 to RMB734 per ton in December 2022, representing a CAGR of approximately 11.3%.

We understood from the Management that the expected increase in price was estimated to be RMB5 per GJ per year for the three years ending 31 December 2026, representing a CAGR of approximately 11.5% based on the state-prescribed price of RMB39 per GJ applicable to heat supplied by thermal power plants. Therefore, we considered that the expected unit price of heat per GJ of RMB44, RMB49 and RMB54 in 2024, 2025 and 2026 is justifiable.

Taking into account (i) the total expected amount of heat procured from Chuncheng Investment Group of approximately 4.1 million GJ, 4.9 million GJ and 5.3 million GJ in 2024, 2025 and 2026, respectively, is fair and reasonable; and (ii) the expected unit price of heat per GJ of RMB44, RMB49 and RMB54 in 2024, 2025 and 2026 is justifiable, we concur with the Directors' view that the proposed annual caps for heat procurement in respect of the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) are fair and reasonable.

5.2 *The 2024–2026 Heat Procurement Framework Agreement (Datang JV)*

5.2.1 *Proposed annual caps*

As disclosed in the Letter from the Board, in arriving at the annual caps, the Board considered factors including the highest expected unit price per GJ of RMB88 per GJ during the three years ending 31 December 2026, the amount of heat to be supplied by Datang JV to the Group and a buffer of approximately 2.5% to cater for any possible unforeseeable circumstances such as fluctuation relating to the actual unit price and/or heat supply volume to be supplied by Datang JV. The highest expected unit price of RMB88 per GJ was arrived at with reference to the highest unit price of RMB88 per GJ charged by Datang JV for the 2022–2023 heat supply period.

The table below sets out the proposed annual caps for the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Datang JV) for the respective periods:

	FY2024	FY2025	FY2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual caps	33,950	34,880	35,810

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5.2.2 Historical transaction amount

As disclosed in the Letter from the Board, the historical transaction amounts for the transactions conducted pursuant to the 2021–2023 Heat Procurement Framework Agreement (Datang JV) were as follows:

2021–2023 Heat Procurement Framework Agreement (Datang JV)	FY2021	FY2022	FY2023
	<i>RMB'000</i>	<i>RMB'000</i>	(up to 30 June 2023) <i>RMB'000</i>
Historical transaction amounts	6,311	14,759	15,077
Annual cap	30,546	30,546	30,546
Utilisation rate (%)	20.7%	48.3%	98.7%

(Note 1)

Note:

- (1) Utilisation rate for FY2023 (up to 30 June 2023) was calculated by dividing the historical transaction amounts for 1H2023 by half of the annual cap for FY2023, which amounted to RMB15,273,000.

As advised by the Management, the utilisation rate in 2021 and 2022 was relatively lower mainly due to lower heat procurement from Datang JV caused by its insufficient heat supply in 2021 and 2022. In determining the annual caps between 2021 and 2023, the Group adopted the maximum volume of heat that Datang JV could supply while in practice, the actual volume of heat that could be sold by Datang JV would be the remaining portion after deducting Datang JV's own demand of heat for its production and operation, and subject to negotiation between Datang JV and Xixing Energy.

5.2.3 Unit price per GJ

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the Management and understood that a unit price per GJ of RMB88 was adopted for determining the proposed annual caps for the three years ending 31 December 2026. The unit price per GJ of RMB88 represented the historical highest unit price charged by Datang JV in the 2022–2023 heat supply period. We have reviewed the heat supply agreement entered into by the Group and Datang JV in respect of heat supply for the 2022–2023 heat supply period, and noted that the general unit price of heat per GJ was RMB80 while that for the peak season was RMB88. We considered that the adoption of the unit price per GJ of RMB88 in determining the proposed annual caps is justifiable as the Management expected that the highest unit price charged by Datang JV in 2022–2023 heat supply period served as a meaningful indicator for the upper limit of unit price to be charged by Datang JV for the three years ending 31 December 2026.

5.2.4 The amount of heat to be supplied by Datang JV

As advised by the Management, the volume of heat procured from Datang JV is expected to be 380,000 GJ in 2024 and increase by 10,000 GJ per year in 2025 and 2026 after considering (i) the growth of heating network zone from approximately 3.45 million sq.m. in the heat supply period of 2020–2021 to approximately 3.95 million sq.m. in heat supply period of 2022–2023, representing a CAGR of approximately 7%; and (ii) the expected development in Lvyuan District, stimulated by the investment policies of the municipal government.

We understood from the Management that Xixing Energy is located near Changchun West Railway Station, the region of which is currently under development, leading to higher demand of heat with extending heat service area in Lvyuan District, Changchun City. We performed a public search and noted that Xixing Energy is just 1.8 km away from Changchun West Railway Station. According to White Paper of Changchun Urban Transportation Development, the long-term goal is to develop a metropolitan region with urban and external transportation integration. In February 2023, the government of Lvyuan District launched a signatory ceremony for key investment projects involving RMB12 billion investment funds, among which one project relating to a medical company has been completed this year and covers an area of 50,000 sq.m..

Based on the above, we considered that the expected volume of heat to be procured from Datang JV of approximately 380,000 GJ; 390,000 GJ and 400,000 GJ is justifiable.

5.2.5 Buffer

Furthermore, a buffer of approximately 2.5% is considered to cater for any possible unforeseeable circumstances such as fluctuation relating to the actual unit price and/or heat supply volume to be supplied by Datang JV. Considering that the buffer would provide flexibility to the Company in the event of fluctuations in the actual unit price or heat supply volume or any other unexpected fluctuations occur, we consider that the buffer applied by the management of the Company to be acceptable.

Based on the above, we concur with the Directors' view that the proposed annual caps for heat procurement in respect of the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Datang JV) are fair and reasonable.

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5.3 *The 2024–2026 Construction Framework Agreement*

5.3.1 *Proposed annual caps*

As disclosed in the Letter from the Board, in arriving at the proposed annual caps, the Board considered factors including:

- (i) the historical transaction amounts, the expected construction and installation costs, design costs and material costs with reference to the latest state-prescribed prices, state-recommended prices and market prices;
- (ii) the schedule of potential projects which are available for the Company to participate in and to conclude contract with Chun Cheng Investment Group for each of the three years ending 31 December 2026 which indicates that there will be an increase in demand for construction, maintenance and design services from Chun Cheng Investment Group; and
- (iii) a buffer of approximately 9% to cater for any possible unforeseeable circumstances such as fluctuation relating to the construction and installation costs, design costs and material costs.

The table below sets out the proposed annual caps for the transactions contemplated under the 2024–2026 Construction Framework Agreement for the respective periods:

	FY2024	FY2025	FY2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual caps	125,300	101,300	84,300

5.3.2 *Historical transaction amount*

As disclosed in the Letter from the Board, the historical transaction amounts for the transactions conducted pursuant to the 2021–2023 Construction Framework Agreement were as follows:

2021–2023 Construction Framework Agreement	FY2021	FY2022	FY2023 (up to 30 June 2023)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts	45,234	18,431	2,436
Annual cap	50,863	50,863	50,863
Utilisation rate (%)	88.9%	36.2%	9.6%
			<i>(Note)</i>

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Note: Utilisation rate for FY2023 (up to 30 June 2023) was calculated by dividing the historical transaction amounts for 1H2023 by half of the annual cap for FY2023, which amounted to RMB25,431,500.

According to the Letter from the Board, due to the outbreak of the COVID-19 pandemic, lockdown and traffic standstill measures were imposed in certain regions in the PRC in FY2022. As such, some of Chuncheng Investment Group's transformation projects on distribution networks, heat exchange stations, boiler rooms, replacement of pipelines and valves, etc. were temporarily suspended or delayed. Accordingly, Chuncheng Investment Group's demand for the Group's construction, maintenance and design services in FY2022 was deeply affected. Following the easing of the pandemic control measures at the beginning of FY2023, the aforesaid Chuncheng Investment Group's transformation projects have gradually resumed. Based on the completion progress of the current projects on hand, the Company expects over 60 transformation projects will be completed in FY2023, of which a majority of them are completed or expected to be completed in the second half of FY2023.

We have conducted independent public search and noted that there was a widespread COVID-19 outbreak in Jilin Province in around March 2022, leading to lockdown of several cities including Changchun. Moreover, as advised by the Management, fewer projects were conducted by Chuncheng Investment Group in 2022 than in previous years due to the COVID-19 pandemic, thus negatively affecting the Group's services provided to Chuncheng Investment Group in 2022. Although the historical transaction amounts in 1H2023 accounted for merely 4.8% of the annual cap in FY2023, the Management expected that the utilization of the annual cap for FY2023 would reach over 90%, after taking into account the easing of the pandemic control measures at the beginning of 2023 and over 60 transformation projects will be completed in 2023. We have obtained a full list of projects completed/to be completed in 2023, which include the details of each project, contract sum, expected year of commencement and completion, and expected revenue to be recognised in 2023, and noted that the total revenue in 2023 is expected to reach over RMB40 million. We also obtained the letters of award for projects in relation to transformation of old pipe network with the contract sum of approximately RMB47 million in aggregate, which began in the end of September 2023 and was expected to be completed in October 2023.

5.3.3 Anticipated growing demand of construction, maintenance, and design services by Chuncheng Investment Group

According to the Letter from the Board, the Group shall provide construction, maintenance and design services to Chuncheng Investment Group and such services will include engineering construction, engineering maintenance, design services and electrical and instrument maintenance and repair. As advised by the Management, the construction and maintenance services will include engineering construction services such as heating facility construction, pipeline installation, boiler installation, heat exchange station installation, heat facility maintenance and construction management, and engineering

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maintenance services such as heating facility cleaning, installation, repair and maintenance, and replacement. As such, the demand for the construction, maintenance and design services by Chuncheng Investment Group is driven by, among others, the scale of facilities and operation of the Chuncheng Investment Group.

We have conducted an independent search on the website of the State-owned Assets Supervision and Administration Commission of Changchun Municipal Government* (“長春市人民政府國有資產監督管理委員會”) and noted that the heating network zone of Chuncheng Investment Group increased from approximately 33.9 million sq.m. to 37.6 million sq.m. from 2020 to 2022, representing a CAGR of approximately 5.3%. The number of heating users increased from approximately 296,000 to 321,900 from 2020 to 2022, representing a CAGR of approximately 4.3%.

Hence, we concur with the Management that the demand for the construction, maintenance and design services from Chuncheng Investment Group is expected to grow along with the increase in Chuncheng Investment Group’s scale of operation.

5.3.4 *Projects*

In assessing the reasonableness of the annual caps, we have obtained from the Management a schedule of potential projects which are available for the Company to participate in and to conclude contracts with Chuncheng Investment Group from 2024 to 2026 (the “**Schedule**”). As disclosed in the 2022 Annual Report, responding to the national strategies of achieving “carbon emission peak and carbon neutrality”, the Group continues to consolidate measures for environmental protection and emission reduction. We noted from the Schedule that there would be (i) a large-scaled project related to renovation of boiler rooms in order to realize ultra-low emission, covering three years from 2024 to 2026; and (ii) various regular projects, including engineering maintenance services, electrical and instrument maintenance and repair services, and pipe network transformation.

(i) Large-scaled project related to renovation of boiler rooms

For engineering construction services in respect of heating facilities, we understood from the Management and as discussed above, both the Group and Chuncheng Investment Group endeavor to develop heat supply business in a way that both serve to resolve existing issues and eye on the future for a low-carbon and sustaining development.

Furthermore, from public information on *bidcenter* website, we noted that there was a public tender invitation from Chuncheng Investment Group relating to Renovation Project of Clean Heating and Ultra-Low Emission* (春投集團清潔暖氣超低排放改造工程工程總招標公告), which was published in August 2023. The project involves construction drawing services, procurement and installation of construction equipment for transformation of boilers to realize ultra-low emission in

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Changchun City. We noted that the information of the renovation of boiler rooms project provided by the Management is consistent with that disclosed in the public tender announcement. As advised by the Management, the Group is currently in negotiation with the successful bidder of the project, who acts as the main contractor, that certain parts of the project are expected to be subcontracted to the Group. Such potential project is expected to contribute approximately RMB58.7 million, RMB36.7 million and RMB21.1 million for FY2024, FY2025 and FY2026, respectively. As the essential part of the renovation is expected to occur in the early period of the construction, the transaction amount is expected to decrease year by year.

(ii) Regular projects

We understood from the Management that the Group has been providing engineering maintenance services, electrical and instrument maintenance and repair services and design services to existing heating facilities of Chuncheng Investment Group regularly. For such potential services included in the Schedule, we have obtained samples of the historical implementation contracts of same and/or similar services provided by the Group previously between January 2021 and June 2023 and noted that regular maintenance or repair services were provided by the Group. Further, we noted that in determining the estimated transaction amounts of such services, the Management has taken into account (i) the historical transaction amounts of the same and/or similar services provided; (ii) the current status of the subject heating facilities; (iii) the scope of services to be provided; and (iv) relevant authorities' pricing guidelines and the most recent state-prescribed price, state-recommended price and regional market price for each type of services or materials.

We obtained a full list of projects in respect of construction, maintenance, and design services conducted in 2023 between the Group and Chuncheng Investment Group and observed that there were over 60 projects, with contract sum of more than RMB50 million in aggregate. We understood from the Management that the regular projects can be broadly categorized into two types, namely (i) projects in relation to the municipal government fund granted to Chuncheng Investment Group for transformation of old pipe network and (ii) projects on boiler maintenance, auxiliary engine maintenance, electrical and equipment renovation etc., both of which generally recur every year. Accordingly, the Group is expected to continue to generate service fees of approximately RMB56.4 million for each of the three years ending 31 December 2026. We also obtained minutes of special meeting of the municipal government and noted that the transformation of aging gas pipelines has been approved and the funds were granted to five enterprises including Chuncheng Investment Group.

Since (i) the potential projects in relation to renovation of boiler rooms is expected to contribute approximately RMB58.7 million, RMB36.7 million and RMB21.1 million for FY2024, FY2025, and FY2026, respectively; and (ii) the

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regular projects are expected to contribute approximately RMB56.4 million for each of the three years ending 31 December 2026, the total service fees generated from such projects would be amounted to approximately RMB115.1 million, RMB93.1 million, and RMB77.5 million for FY2024, FY2025, and FY2026, respectively.

5.3.5 Buffer

We understood from the Management that in determining the proposed annual caps, a buffer of approximately 9% has been taken into account in order to cater for any possible unforeseeable circumstances.

We have reviewed Measures for the Administration of Bidding and Bidding of Housing Construction and Municipal Infrastructure Projects in Jilin Province* (《吉林省房屋建築和市政基礎設施工程項目招標投標管理辦法》) published by the Jilin Provincial Government. We noted the processing time between the publication of tender results and entering into relevant contracts shall be within 30 days. Thus, if the proposed annual caps are insufficient, the Group will not be able to participate in such projects due to the timing required for refreshing the annual caps will exceed 30 days, including but not limited to obtaining the Independent Shareholders' approval and other necessary steps to ensure compliance with the Listing Rules will take more than 30 days to accomplish. As such, we concur with the Management that the annual caps shall be proposed in order to allow more flexibility for the Group to cater for circumstances when any sizeable projects may be available for tender, so that the Company would not need to seek Independent Shareholders' approval before participating in tendering such project due to insufficient annual caps, which may cause the Company fail to respond quickly to any business opportunities. We consider the buffer applied by the Management is acceptable.

As advised by the Management, the Group is at its own discretion to decide whether to take up and/or submit tenders for projects of Chuncheng Investment Group and shall take up and/or submit tender for projects only after preliminary internal assessment.

Having taken into account (i) historical transaction amounts in respect of the transactions contemplated under the 2021–2023 Construction Framework Agreement. In particular, the close to full utilisation of the annual cap in FY2021, which implied that the Company had taken a prudent approach in estimating the transaction amounts and the annual caps in the past despite the large gap in 2022, which is justifiable due to the lockdown caused by the COVID-19 pandemic; (ii) the total estimated service fees generated from projects included in the Schedule would be amounted to approximately RMB115.1 million, RMB93.1 million and RMB77.5 million for the year ending 31 December 2024, 2025 and 2026, respectively; (iii) the buffer of approximately 9% would provide flexibility to the Company to cater for circumstances when any sizeable projects may be available for tender; (iv) the Management shall continue to develop the Group's construction business under the Group's strategy and, subject to successful tender, seek to provide construction services to Chuncheng Investment Group on its projects; and (v)

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the Group is at its own discretion to decide whether to participate in tendering process and/or to provide services for these projects of Chuncheng Investment Group, we consider that the basis for the annual caps to be fair and reasonable.

5.4 *The 2024–2026 Pipes Supply Framework Agreement*

5.4.1 *Proposed annual caps*

As disclosed in the Letter from the Board, in arriving at the annual caps, the Board considered factors including the historical transaction amounts, the Group's expected increase in construction requirements and demand for pipes for the three years ending 31 December 2026.

In particular, in order to enhance the Group's heat supply capacity, the Group intends to purchase heat from a new heat supply network. Towards this end, the Group is required to construct new networked pipelines and expand its supporting pipe network thereby driving its demand for pipes in FY2024. Following the completion of the aforesaid construction of new pipe network, the Group's demand for pipes is expected to decrease in FY2025 and FY2026.

The table below sets out the proposed annual caps for the transactions contemplated under the 2024–2026 Pipes Supply Framework Agreement for the respective periods:

	FY2024	FY2025	FY2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual caps	93,430	49,430	49,430

5.4.2 *Historical transaction amount*

As disclosed in the Letter from the Board, the historical transaction amounts for the transactions conducted pursuant to the 2021–2023 Pipes Supply Framework Agreement were as follows:

2021–2023 Pipes Supply Framework Agreement	FY2021	FY2022	FY2023 (up to 30 June 2023)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts	21,721	12,976	2,735
Annual cap	30,177	30,177	30,177
Utilisation rate (%)	72.0%	43.0%	18.1%

Note: Utilisation rate for FY2023 (up to 30 June 2023) was calculated by dividing the historical transaction amounts for 1H2023 by half of the annual cap for FY2023, which amounted to RMB15,088,500.

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According to the Letter from the Board, due to the outbreak of the COVID-19 pandemic, lockdown and traffic standstill measures were imposed in certain regions in the PRC in FY2022. As such, some of the Group's pipeline construction projects were temporarily suspended or delayed. Accordingly, there was a significant decrease in the Group's demand for pipes in FY2022. Following the easing of the pandemic control measures at the beginning of FY2023, the aforesaid pipeline construction projects have gradually resumed. Based on the completion progress of the current projects on hand, the Company expects more pipes would be required in the second half of FY2023 as compared with the first six months.

We have conducted independent public search and noted that there was a widespread COVID-19 outbreak in Jilin Province in around March 2022, leading to lockdown of several cities including Changchun. Moreover, as advised by the Management, fewer projects were conducted by the Group in 2022 than in previous years due to the COVID-19 pandemic. Although the utilization rate of the annual cap in 1H2023 was merely 18.1%, the Management expected that the utilization rate for the FY2023 would reach over 80%, after taking into account the easing of the pandemic control measures at the beginning of 2023, peak heating season in winter, and most of revenue to be recognized in the second half of 2023.

5.4.3 The Group's expected increase in construction requirements

According to the Letter from the Board, in order to enhance the Group's heat supply capacity, the Group intends to purchase heat from a new heat supply network. Towards this end, the Group is required to construct new networked pipelines and expand its supporting pipe network thereby driving its demand for pipes in FY2024. We understood from the Management that the new networked pipelines include (i) DN900 pipeline trench length of 6,400 meters, (ii) DN800 pipeline trench length of 1,500 meters, as well as reconstruction and expansion of the main pipeline for a thermal power plant involving (i) DN1200 pipeline trench length of 4,360 meters and (ii) DN1100 pipeline trench length of 359 meters. The unit price of the pipeline is approximately RMB6.43 per kg and the weight of pipelines depends on the dimension of each type of pipeline. For instance, DN1200 pipeline weighs approximately 467 kg/m whereas DN900 pipeline weighs approximately 224 kg/m. The total cost of pipes to be procured from New Model Pipes Group of the abovementioned project is estimated to be approximately RMB44 million in FY2024. As the project is expected to be completed in FY2024 and may not recur in FY2025 and FY2026, the proposed annual cap in FY2024 is higher than that of FY2025 and FY2026.

5.4.4 Regular replacement of pipeline network, equipment overhaul, and repair

As discussed with the Management, the Group carries out projects such as regular replacement of pipeline network, equipment overhaul, and repair each year. According to the Company's annual reports, the Group's heat service area increased from

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approximately 60.2 million sq.m. in 2020 to 61.8 million sq.m. in 2021 and further to 65.2 million sq.m. in 2022. As such, the demand for pipes is expected to increase along with the expanding heat service area.

According to China Statistical Yearbook compiled by NBS, the length of heating pipelines in Jilin Province increased from 29,971 km in 2019 to 31,996 km in 2020, and further to 34,762 k.m. in 2021, representing a compound annual growth rate of approximately 7.7%. The heat service area in Jilin Province increased from approximately 646 million sq.m. in 2019 to approximately 676 million sq.m. in 2020, and further to approximately 722 million sq.m. in 2021, representing a compound annual growth rate of approximately 5.7%.

Moreover, as discussed with the Management, it is expected that a large-scale replacement of pipeline network would be carried out from 2024 to 2026, in which pipes of approximately 167 km amounting to approximately RMB255 million would be required. It is expected that approximately 40% of the pipes would be acquired from New Model Pipes under the 2024–2026 Pipes Supply Framework Agreement. Therefore, the Group is expected to purchase pipes amounting to RMB85 million in each of the three years ending 31 December 2026. We have obtained the draft feasibility report prepared by heat engineering consultancy firm in Jilin Province and noted that (i) due to the corrosion of the pipelines, there was energy wastage in recent years and frequent repairs and maintenance were required; (ii) the project would help reduce the energy wastage and the relevant economic losses caused by the operation failures of the pipelines, and thus increase the operational capacity and heating quality and efficiency; (iii) the estimated total contract sum of the project is approximately RMB570 million; and (iv) a total of approximately 167 km of pipes in various sizes and specifications would be needed.

Accordingly, in respect of the projects relating to regular replacement of pipeline network, equipment overhaul, and repair, the Group is expected to incur approximately RMB49.4 million for each of the three years ending 31 December 2026, which is higher than the historical transaction amounts between 2021 and 2023, after considering (i) the easing of the pandemic control measures at the beginning of FY2023, (ii) increasing demand for pipelines due to the expanding heat service area each year, and (iii) the large-scale replacement of pipeline network project to be carried out from 2024 to 2026.

Considering that (i) the construction of new heat supply network in FY2024 is estimated to incur approximately RMB44 million in FY2024; and (ii) the Group is expected to incur approximately RMB49.4 million for each of the three years ending 31 December 2026 for the regular replacement of pipeline network, we concur with the Directors' view that the proposed annual caps for in respect of the transactions contemplated under the 2024–2026 Pipes Supply Framework Agreement are fair and reasonable.

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6. Internal control measures

As stated in the Letter from the Board, the Group has adopted the following internal control measures over the Continuing Connected Transactions:

- (i) the Company has adopted the Connected Transactions Management Regulations (《關連交易管理規定》) which provides that all connected transactions (including the transactions contemplated under the CCT Agreements) shall comply with the relevant Listing Rules' requirements and the Connected Transactions Management Regulations, including but not limited to (i) the transactions must be conducted on normal commercial terms or better and the terms are no less favourable to the Group than terms available to independent customers by the Group; and (ii) the transactions are carried out in accordance with the Company's pricing policies and the terms of the relevant CCT Agreement;
- (ii) in respect of the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) and the 2024–2026 Heat Procurement Framework Agreement (Datang JV), the Group will closely monitor the actual unit price per GJ of heat supplied by Chuncheng Investment Group or Datang JV (as appropriate) by adopting the procedures set out in the circular. In addition, the Group will, on a regular basis (and at least once a year before the commencement of heat supply period), obtain information on heat fees from two to four Independent Third Parties and compare such fees with that offered by Chuncheng Investment Group or Datang JV (as appropriate). In the event where the price offered by Independent Third Parties to the Group are more favourable to the Group than that offered by Chuncheng Investment Group or Datang JV (as appropriate), the Group will purchase heat from such Independent Third Parties instead given the Group's primary pipeline network is also connected with the network of certain Independent Third Parties. The Directors are of the view that the aforementioned methods and procedures would enable the Company to ensure that the transactions contemplated under the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) and the 2024–2026 Heat Procurement Framework Agreement (Datang JV) will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders;
- (iii) in respect of the transactions contemplated under the 2024–2026 Construction Framework Agreement:
 - (1) *for contracts that require a tender process* — prior to submitting the bidding documents to Chuncheng Investment Group, the Company's tender team will review the bidding documents to ensure that (i) the tender documents are prepared in accordance with applicable laws and regulations and Chuncheng Investment Group's requirements; (ii) the quoted prices comply with the Group's pricing policies as stated above; (iii) the transactions are carried out in accordance with the 2024–2026 Construction Framework Agreement; and (iv) the transactions are conducted on normal commercial terms or better and the service fees and materials prices (where

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applicable) offered in the bidding documents is not lower than those offered or quoted to independent customers for similar services. Since every project is unique and not identical, the Group will compare the fee quote provided to Chuncheng Investment Group with at least one recent fee quote provided to independent customers to ensure that the fee quoted in the bidding documents is not lower than those offered or quoted to independent customers for similar projects. The Company considers that comparison with only one fee quote is sufficient given most of the services and/or materials provided by the Group are subject to state-prescribed prices or state-recommended prices and that regional market price serves as a more up-to-date benchmark given the volatility in materials prices;

- (2) *for contracts that do not require a tender process* — prior to providing the fee quotations to Chuncheng Investment Group, the accounting department (核算部) of the relevant subsidiary will review the fee quotations to ensure that (i) the quoted prices comply with the Group's pricing policies as stated above; (ii) the transactions are carried out in accordance with the 2024–2026 Construction Framework Agreement; and (iii) the transactions are conducted on normal commercial terms or better and the service fees and materials prices (where applicable) offered to Chuncheng Investment Group is not lower than those offered or quoted to independent customers for similar services. Since every project is unique and not identical, the Group will compare the fee quote provided to Chuncheng Investment Group with at least one recent fee quote provided to independent customers to ensure that the fee quoted is not lower than those offered or quoted to independent customers for similar projects. The Company considers that comparison with only one fee quote is sufficient given most of the services and/or materials provided by the Group are subject to state-prescribed prices or state-recommended prices and that regional market price serves as a more up-to-date benchmark given the volatility in materials prices;
- (iv) the Company's planning and management department will closely monitor the total transaction amount to ensure that the respective proposed annual caps in respect of the each of the Continuing Connected Transactions will not be exceeded;
- (v) the Company's planning and management department shall prepare reports containing total transaction amount under each of the CCT Agreements on a monthly basis and submit such reports to the Company's internal control audit department on a quarterly basis;
- (vi) based on the reports prepared by the Company's planning and management department, the Company's internal control audit department shall conduct quarterly reviews on the Company's subsidiaries to ensure that (i) the subsidiaries have complied with the Company's Connected Transactions Management Regulations; (ii) the transactions contemplated under each of the CCT Agreements are conducted on normal commercial terms or better and the terms are no less favourable to the Group than terms available to

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independent customers by the Group; and (iii) the transactions are carried out in accordance with the Company's pricing policies and the terms of the relevant CCT Agreement. The Company's internal control audit department shall report on its findings relating to the Continuing Connected Transactions to the Management on a quarterly basis;

- (vii) the Company's external auditors will review the Continuing Connected Transactions annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant caps have been exceeded; and
- (viii) the independent non-executive Directors will review the Continuing Connected Transactions annually to check and confirm whether such Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions were conducted in accordance with the pricing policies set out in such relevant agreements.

In assessing the effectiveness of the Company's internal control in place, we have reviewed the following:

- (i) the Connected Transactions Management Regulations (《關連交易管理規定》) adopted by the Company and noted that clear procedures and measures are stipulated, which would ensure that (a) the transactions must be conducted on normal commercial terms or better and the terms are no less favourable to the Group than terms available to independent customers by the Group; and (b) the transactions are carried out in accordance with the Company's pricing policies and the terms of the relevant CCT Agreement;
- (ii) six monthly reports for each year from 1 January 2021 to 30 June 2023, prepared by the planning and management department submitted to the Company's internal control audit department, and all quarterly reports available from 1 January 2021 to 30 June 2023 prepared by the internal control department, in which the total transaction amount under the 2021–2023 framework agreements was compared against the annual caps to ensure that the transaction amount would not exceed the respective annual caps. It is noted that the required internal control procedures were properly followed. Considering that (a) the monthly reports obtained spread across each quarter between 1 January 2021 and 30 June 2023; and (b) the sample monthly reports and quarterly reports represent the majority of the reports available up to the Latest Practicable Date, we consider the number of samples sufficient, fair and representative;
- (iii) the external auditors' letters to the Board regarding the continuing connected transactions for the two years ended 31 December 2022 and noted that (a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions

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have not been approved by the Company's Board of Directors; (b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (d) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value as set by the Company.

- (iv) the board minutes of the Company and noted the independent non-executive Directors had reviewed the historical continuing connected transactions in relation to the 2021–2023 framework agreements, and confirmed such continuing connected transactions were (a) in the ordinary and usual course of business of the Group; (b) on normal or better commercial terms which are not less favourable to the Group than terms offered by Independent Third Parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and
- (v) the Company's internal assessment on the fairness and reasonableness of the pricing and approval documents as discussed in the section headed "implementation of the pricing policies by the Group" in respect of the Non-exempt CCT Agreements and noted that the historical transactions in the samples we obtained were carried out in accordance with the relevant policies.

Having considered that (i) the Company has adopted the Connected Transactions Management Regulations (《關連交易管理規定》) which provides that all connected transactions (including the transactions contemplated under the Non-exempt CCT Agreements) shall comply with the relevant Listing Rules' requirements and the Connected Transactions Management Regulations; (ii) a monitoring system is in place with the planning and management department of the Group ensuring that the annual caps are not exceeded from time to time and effective internal control is in place to ensure the terms of the transactions in compliance with applicable pricing policies; (iii) the reports containing total transaction amount under the CCT Agreements will be submitted to the Management on a quarterly basis; and (iv) the transactions contemplated under the CCT Agreements will be annually reviewed by the independent non-executive Directors and the external auditors of the Company, we are of the view that the internal control measures are adequate and effective in ensuring the transactions contemplated under Non-exempt CCT Agreements will be entered into on normal commercial terms and there is an effective system in place to monitor the annual caps.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) each of the Non-exempt CCT Agreements is in the ordinary and usual course of business of the Group and on normal commercial terms; and (ii) the terms of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions for approving each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Giraffe Capital Limited
Johnson Chen
Managing Director

Mr. Johnson Chen is a licensed person registered with the Securities and Futures Commission and a responsible officer of Giraffe Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and to undertake work as a sponsor. He has over 15 years of experience in the field of corporate finance advisory.

* *For identification purpose only*

EXTENDED PROPOSAL FOR A SHARE OFFERING**1. TYPE AND PAR VALUE OF SHARES TO BE ISSUED**

Domestically listed RMB ordinary Shares (A Shares), with a par value of RMB1.00.

2. OFFERING SIZE

The Company intends to make an initial public offering of RMB ordinary shares of not more than 155.5666 million RMB ordinary Shares to the public. The actual number of Shares to be issued will be determined based on the capital requirements of the Company and the specific situation of the securities market at the time of the Offering, by the Board and its authorised persons under the authorisation granted at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting in accordance with the requirements of the laws and regulations, the approval of the securities regulatory authorities and the market conditions.

3. TARGET SUBSCRIBERS OF THE OFFERING

The target subscribers of the Offering shall be inquired investors who are qualified and natural persons, legal persons and other institutions which have maintained RMB ordinary share (A share) securities accounts with the Shenzhen Stock Exchange (except for those prohibited by national laws, regulations, other applicable regulatory documents and other regulatory requirements applicable to the Company), unless otherwise provided by the CSRC or the Shenzhen Stock Exchange.

To the best knowledge of the Directors, they do not envisage any of the target subscribers to be related parties or connected persons (as defined under the Listing Rules) of the Company. If any of the A Share Offering's target subscriber is a related/connected person of the Company, the Company will take all reasonable measures to comply with the relevant requirements of the CSRC and other regulatory authorities as well as the listing rules of the places where the Company's Shares are listed (including Chapter 14A of the Listing Rules).

4. METHOD OF ISSUANCE

- (a) Offline allotment to inquired investors;
- (b) Online subscription offering to public investors at market price;
- (c) Other methods permitted by the CSRC and the Shenzhen Stock Exchange.

5. METHOD OF PRICING

The pricing will be determined by a combination of offline allotment to inquired investors and online subscription offering to public investors at market price, or other methods permitted by the CSRC.

The lead underwriter(s) shall carry out book-building in respect of the quotations of offline investors, and record the subscription prices and subscription number of offline investors, and shall determine the issue price according to the result of book-building. Once the final issue price is determined, all subscribers for the A Shares will subscribe for such number of A Shares allocated to them at the final issue price.

According to the “PRC Company Law”* (《中華人民共和國公司法》), the final issue price shall not be lower than the par value of the Shares. In addition, the final issue price will be determined with reference to, including but not limited to, the then average price-to-earnings ratio of the heat supply industry in the secondary market, the operational and financial conditions of the Company and in accordance with the laws, regulations and requirements of the relevant securities regulatory authorities of the PRC.

6. METHOD OF UNDERWRITING

The Offering will be underwritten by a sponsor (the lead underwriter) by way of standby commitment.

7. PROPOSED PLACE OF LISTING

The proposed place of listing for the public offering of shares is the main board of the Shenzhen Stock Exchange.

8. TIMING FOR THE OFFERING AND LISTING

Upon the grant of approvals of the CSRC and the Shenzhen Stock Exchange, the Board shall discuss with the lead underwriter and relevant regulatory authorities on the timing for the Offering and listing.

9. VALIDITY PERIOD OF THE RESOLUTION RELATING TO THE OFFERING PROPOSAL

The resolution shall be effective for a period of 12 months from the date on which the resolution is passed at the EGM, the H Shareholders’ Class Meeting and the Domestic Shareholders’ Class Meeting.

If the approval(s) regarding the A Share Offering from the CSRC and other regulatory authorities is/are not obtained within such validity period, the Company shall seek the shareholders’ approval to extend the validity period of the resolution at general meeting and the Class Meetings.

EXTENDED PROPOSAL FOR AUTHORISATION FOR THE A SHARE OFFERING

Jilin Province Chuncheng Heating Company Limited (hereinafter the “**Company**”) has proposed an application for initial public offering of RMB ordinary shares (A Shares) and listing on the main board of Shenzhen Stock Exchange (hereinafter “**this Offering and Listing**”). Due to the complexity of listing-related work which requires immediate execution of a substantial amount of documents, submission of application to competent authorities, handling of contingencies which may arise from time to time, in order to enhance efficiency in decision making and to ensure completion of all listing-related work by the Company as soon as possible, it is necessary to seek approval at the general meeting of the authorisations to the Board and its authorised representatives to exercise full power to deal with matters in relation to this Offering and Listing, which include, but not limited to, the followings:

1. To deal with the reporting and relevant procedural work of this Offering and Listing, including but not limited to applying for approval from, registering with, filing with and seeking approvals and consents from relevant governmental departments, regulatory authorities, stock exchanges and securities clearing institutions; to sign, execute, amend and complete all necessary documents related to this Offering and Listing (including but not limited to the letter of intent for offering, prospectus, sponsor agreement, underwriting agreement, listing agreement, statement and undertaking and various announcements, etc.).
2. According to the requirements of the CSRC and Shenzhen Stock Exchange and based on the actual situation of the securities market, to determine the details of offering size, target subscribers, offering price, method of pricing, method of issuance, strategic placing, over allotment options, timing for the offering in respect of this Offering and Listing based on the offering proposal considered and approved at general meetings.
3. To confirm and amend the investment plans for the use of proceeds relating to this Offering and Listing based on the actual investment needs for the proceeds, the approval progress of the investment projects or requirements of the CSRC, which mainly include amendment to, modification of or decrease in the amount of proceeds for the investment projects, establishment of subject matters, investment amounts, investment methods, implementation progress, etc.
4. To make necessary adjustment to relevant detailed plans based on the implementation of this Offering and Listing proposal, market conditions, changes in policies and opinions from the regulatory authorities.

5. To determine the detailed project implementation plan based on the total investment amount of each investment project to be financed by the proceeds from this Offering as considered and approved at the general meetings; to amend, increase, decrease or otherwise adjust the investment direction, amount of proceeds to be used and other relevant matters of the projects to be financed by proceeds from this Offering based on the Company's actual operational needs after thorough discussion by the Board on the feasibility of investment projects to be financed by the proceeds; before the proceeds from this Offering and Listing are in place, to execute projects using self-owned or self-raised funds according to the actual progress of the projects; after the proceeds from this Offering and Listing are in place, to replace the self-owned funds and indirect financing such as bank borrowings previously invested for the investment project with the proceeds; the confirmation of a special deposit account for the proceeds; the signing of a tripartite supervision agreement for the proceeds; to specifically execute the investment directions of the proceeds upon completion of this Offering and Listing; to sign material contracts involved in the implementation process of the investment projects funded by the proceeds.
6. To make corresponding amendments to the relevant provisions of the Articles of Association and relevant internal policies based on the implementation results of this Offering and Listing proposal and the requirements of regulatory authorities, and deal with the matters related to change and filing of industry and commerce registration.
7. After completion of this Offering, to handle the matters of registration and settlement of shareholdings at the China Securities Depository and Clearing Co., Ltd., including but not limited to the depository, registration, circulation and lock-up of shares.
8. To the extent permitted by laws and regulations and regulatory documents, to handle other necessary, proper and appropriate matters related to this Offering and Listing.
9. During the validity period of the resolution regarding this Offering, if there is any change in the policies regarding initial public offering of new shares, the new policies shall prevail in order to continue handling all matters in relation to this Offering.
10. The above authorisations shall be effective for a period of 12 months from the date on which the resolution is passed at the general meeting, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(i) Interests of Directors, Supervisors and chief executive**

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, to the knowledge of the Directors, the persons (other than a Director, Supervisor or chief executive of the Company) who have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Type of Shares	Capacity	Number of Shares/ underlying Shares held (share) (Note 2)	Percentage of relevant class of share capital (Note 3)	Percentage of total share capital (Note 4)
Chuncheng Investment	Domestic Shares	Beneficial owner	325,500,000 (L)	93.00%	69.75%
Changchun State-owned Capital Investment Operation (Group) Co., Ltd.* (長春市國有資本投資運營(集團)有限公司)	Domestic Shares	Beneficial owner	24,500,000 (L)	7.00%	5.25%
China Foreign Economic and Trade Trust Co., Ltd. (Note 1)	H Shares	Trustee	30,500,000 (L)	26.14%	6.54%
Northeast Asia Crowdwit Investment Management (Jilin) Co., Ltd. (東北亞萬眾創投資管理(吉林)有限公司)	H Shares	Beneficial owner	17,090,000 (L)	14.64%	3.66%

Notes:

- (1) China Foreign Economic and Trade Trust Co., Ltd. is the trustee of SCBCN-Foreign Economy and Trade Trust Co., Ltd-Fotic Wuxingbaichuan No. 37 Unitrust.
- (2) (L) denotes the relevant person's long position in such Shares.
- (3) Based on 350,000,000 Domestic Shares or 116,700,000 H Shares of the Company in issue as at the Latest Practicable Date.
- (4) Based on the total issued share capital of the Company of 466,700,000 Shares as at the Latest Practicable Date.

* For identification purposes only

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there was no other person who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, none of the Directors or the Supervisors had entered into a service contract with any member of the Group which is not determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation.

4. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has been named in this circular or has given opinions, letters or advice contained in this circular:

Name	Qualification
Giraffe Capital Limited	A licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

The above expert has given and has not withdrawn its written consent to the issue of this circular with inclusion herein of its letter or report and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, the above expert did not have any interest in the share capital of any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, direct or indirect, in any assets which have been, since 31 December 2022, being the date to which the latest published audited combined financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, the following Director was considered to have interests in a business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group:

Name of Director	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Sun Huiyong	Chuncheng Investment	Heat supply	Party secretary and chairman of the board
Mr. Shi Mingjun	Datang Changre Jilin Heating Company Limited* (大唐長熱吉林熱力有限公司)	Heat supply, construction, maintenance and distribution service	Non-executive director

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive nor their respective close associates had any interests in a business, which competed or was likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

6. NO MATERIAL ADVERSE CHANGE

So far as is known to the Directors, as at the Latest Practicable Date, the Directors confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited combined financial statements of the Group were made up.

7. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

So far as is known to the Directors, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive had any interest, direct or indirect, in any assets which have been, since 31 December 2022, being the date to which the latest published audited combined financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

* For identification purposes only

None of the Directors, Supervisors or chief executive was materially interested in any contract or arrangement subsisting as at the date of this circular which was significant in relation to the business of the Group.

8. GENERAL

- (a) The registered office of the Company is at No. 28, Block B Nanhu Road Community No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, PRC.
- (b) The principal place of business of the Company in Hong Kong is at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The H share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.cc-tp.com.cn) from the date of this circular up to and including the date of the EGM, which is for a period of not less than 14 days from the date of this circular:

- (a) the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment);
- (b) the 2024–2026 Heat Procurement Framework Agreement (Datang JV);
- (c) the 2024–2026 Construction Framework Agreement; and
- (d) the 2024–2026 Pipes Supply Framework Agreement.



Jilin Province Chuncheng Heating Company Limited*

吉林省春城热力股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock code: 1853)

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2023

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting of 2023 (the “EGM”) of Jilin Province Chuncheng Heating Company Limited* (the “Company”) will be held at Conference Room 711, Chuncheng Heating, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC, at 9 a.m. on Wednesday, 22 November 2023, for the purposes of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) entered into between the Company (for itself and on behalf of its subsidiaries) and Chuncheng Investment (for itself and on behalf of its subsidiaries other than the Group) and the transactions contemplated thereunder (including the proposed annual caps).
2. To consider and approve the 2024–2026 Heat Procurement Framework Agreement (Datang JV) entered into between the Company (for itself and on behalf of its subsidiaries) and Datang JV and the transactions contemplated thereunder (including the proposed annual caps).
3. To consider and approve the 2024–2026 Construction Framework Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Chuncheng Investment (for itself and on behalf of its subsidiaries other than the Group) and the transactions contemplated thereunder (including the proposed annual caps).
4. To consider and approve the 2024–2026 Pipes Supply Framework Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and New Model Pipes (for itself and on behalf of its subsidiaries) and the transactions contemplated thereunder (including the proposed annual caps).

SPECIAL RESOLUTIONS

5. To consider and pass the “Resolution to extend the validity period of the proposal for the A Share Offering”.

* For identification purposes only

6. To consider and pass the “Resolution to extend the authorisation to the Board and its authorised persons granted at the general meeting of the Company to deal, at their full discretion, with matters relating to the initial public offering and listing of the A shares of the Company on the main board of the Shenzhen Stock Exchange”.

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

Jilin, the PRC, 7 November 2023

Notes:

1. The register of members of the Company will be closed from Friday, 17 November 2023 to Wednesday, 22 November 2023 (both days inclusive), during which period no transfer of Shares of the Company can be registered. Shareholders who wish to attend and vote at the EGM must lodge all transfer documents accompanied by the relevant share certificates to (in case of H Shareholders) the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or (in case of Domestic Shareholders) the head office of the Company in the PRC, No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC no later than 4:30 p.m. on Thursday, 16 November 2023.
2. Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on their behalf. A proxy needs not to be a Shareholder.
3. In order to be valid, the proxy form for the EGM must be deposited by hand or by post to (in case of H Shareholders) the H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or (in case of Domestic Shareholders) the head office of the Company in the PRC, No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC not less than 24 hours before the time for holding the EGM or any adjournment thereof for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meetings thereof should they so wish.
4. Shareholders or their proxies shall provide their identification documents when attending the EGM. In case of a corporate Shareholder, its proxy or other person authorised to attend the meeting with a resolution passed by the board of directors or other decision-making authorities of which the Shareholder is a member, should provide a copy of such resolution.
5. In case of joint holders, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purpose seniority will be determined by the order in which the names stand on the register of members of the Company in respect of the joint shareholding.
6. The on-site EGM is expected to take less than half a day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
7. The address of the head office of the Company in the PRC is No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC.

8. Unless otherwise defined, capitalised terms used in this notice shall have the same meaning as those defined in the Company's circular dated 7 November 2023.

As at the date of this notice, 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.

**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)

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING OF 2023

NOTICE IS HEREBY GIVEN that the first H shareholders' class meeting of 2023 (the "**H Shareholders' Class Meeting**") of Jilin Province Chuncheng Heating Company Limited* (the "**Company**") will be held at Conference Room 711, Chuncheng Heating, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC, immediately following the conclusion of the EGM or any adjournment thereof (whichever is the later) on Wednesday, 22 November 2023, for the purposes of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTIONS

1. To consider and pass the "Resolution to extend the validity period of the proposal for the A Share Offering".
2. To consider and pass the "Resolution to extend the authorisation to the Board and its authorised persons granted at the general meeting of the Company to deal, at their full discretion, with matters relating to the initial public offering and listing of the A shares of the Company on the main board of the Shenzhen Stock Exchange".

By order of the Board

Jilin Province Chuncheng Heating Company Limited*

Sun Huiyong

Chairman

Jilin, the PRC, 7 November 2023

Notes:

1. The register of members of the Company will be closed from Friday, 17 November 2023 to Wednesday, 22 November 2023 (both days inclusive), during which period no transfer of Shares of the Company can be registered. Shareholders who wish to attend and vote at the H Shareholders' Class Meeting must lodge all transfer documents accompanied by the relevant share certificates to the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 16 November 2023.

* *For identification purposes only*

2. Shareholders who are entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies to attend and vote on their behalf. A proxy need not to be a Shareholder.
3. In order to be valid, the proxy form for the H Shareholders' Class Meeting must be deposited by hand or by post to the H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time for holding the H Shareholders' Class Meeting or any adjournment thereof for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the H Shareholders' Class Meeting or any adjourned meetings thereof should they so wish.
4. H Shareholders or their proxies shall provide their identification documents when attending the H Shareholders' Class Meeting. In case of a corporate H Shareholder, its proxy or other person authorised to attend the meeting with a resolution passed by the board of directors or other decision-making authorities of which the H Shareholder is a member, should provide a copy of such resolution.
5. In case of joint holders, the vote of the senior joint H Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint H Shareholder(s) and for this purpose seniority will be determined by the order in which the names stand on the register of members of the Company in respect of the joint shareholding.
6. The on-site H Shareholders' Class Meeting is expected to take less than half a day. H Shareholders attending the H Shareholders' Class Meeting shall be responsible for their own travel and accommodation expenses.
7. The address of the head office of the Company in the PRC is No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC.
8. Unless otherwise defined, capitalised terms used in this notice shall have the same meaning as those defined in the Company's circular dated 7 November 2023.

As at the date of this notice, 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.



Jilin Province Chuncheng Heating Company Limited*

吉林省春城热力股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock code: 1853)

**NOTICE OF THE FIRST DOMESTIC SHAREHOLDERS'
CLASS MEETING OF 2023**

NOTICE IS HEREBY GIVEN that the first domestic shareholders' class meeting of 2023 (the "**Domestic Shareholders' Class Meeting**") of Jilin Province Chuncheng Heating Company Limited* (the "**Company**") will be held at Conference Room 711, Chuncheng Heating, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, the PRC, immediately following the conclusion of the EGM and the H Shareholders' Class Meeting or any adjournment thereof (whichever is the later) on Wednesday, 22 November 2023, for the purposes of considering and, if thought fit, passing the following resolutions:

SPECIAL RESOLUTIONS

1. To consider and pass the "Resolution to extend the validity period of the proposal for the A Share Offering".
2. To consider and pass the "Resolution to extend the authorisation to the Board and its authorised persons granted at the general meeting of the Company to deal, at their full discretion, with matters relating to the initial public offering and listing of the A shares of the Company on the main board of the Shenzhen Stock Exchange".

By order of the Board

Jilin Province Chuncheng Heating Company Limited*

Sun Huiyong

Chairman

Jilin, the PRC, 7 November 2023

Notes:

1. The register of members of the Company will be closed from Friday, 17 November 2023 to Wednesday, 22 November 2023 (both days inclusive), during which period no transfer of Shares of the Company can be registered. Shareholders who wish to attend and vote at the Domestic Shareholders' Class Meeting must lodge all transfer

* *For identification purposes only*

documents accompanied by the relevant share certificates to the head office of the Company in the PRC at No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, the PRC no later than 4:30 p.m. on Thursday, 16 November 2023.

2. Shareholders who are entitled to attend and vote at the Domestic Shareholders' Class Meeting may appoint one or more proxies to attend and vote on their behalf. A proxy needs not to be a Shareholder.
3. In order to be valid, the proxy form for the Domestic Shareholders' Class Meeting must be deposited by hand or by post to the head office of the Company in the PRC at No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, the PRC not less than 24 hours before the time for holding the Domestic Shareholders' Class Meeting or any adjournment thereof for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the Domestic Shareholders' Class Meeting or any adjourned meetings thereof should they so wish.
4. Domestic Shareholders or their proxies shall provide their identification documents when attending the Domestic Shareholders' Class Meeting. In case of a corporate Domestic Shareholder, its proxy or other person authorised to attend the meeting with a resolution passed by the board of directors or other decision-making authorities of which the Domestic Shareholder is a member, should provide a copy of such resolution.
5. In case of joint holders, the vote of the senior joint Domestic Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Domestic Shareholder(s) and for this purpose seniority will be determined by the order in which the names stand on the register of members of the Company in respect of the joint shareholding.
6. The on-site Domestic Shareholders' Class Meeting is expected to take less than half a day. Domestic Shareholders attending the Domestic Shareholders' Class Meeting shall be responsible for their own travel and accommodation expenses.
7. The address of the head office of the Company in the PRC is No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, the PRC.
8. Unless otherwise defined, capitalised terms used in this notice shall have the same meaning as those defined in the Company's circular dated 7 November 2023.

As at the date of this notice, 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.