
CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in note 38 to the accountant's report as set out in Appendix I to this document. Several transactions are expected to continue after the [REDACTED] and shall constitute continuing connected transactions (as defined under Chapter 14A of the Listing Rules) of our Company upon the [REDACTED].

BACKGROUND OF THE RELEVANT CONNECTED PERSONS

Shuangliang Eco-Energy

Shuangliang Eco-Energy is a joint stock limited liability company incorporated in the PRC and listed on the Shanghai Stock Exchange (stock code: 600481.SH), which is principally engaged in the manufacturing and sales of products of (i) energy-saving and water-saving systems; and (ii) new energy systems (新能源系統). As at the Latest Practicable Date, the equity interest of Shuangliang Eco-Energy was held (i) as to approximately 17.61% by Shuangliang Group Co.; (ii) as to approximately 9.00% by Shuangliang Technology; (iii) as to approximately 15.53% by Shanghai Tongsheng LP; (iv) as to approximately 1.04% by Jiangsu Lichuang; (v) as to approximately 0.78% by Mr. Miao Shuangda (繆雙大先生); and (vi) as to approximately 0.52% by Jiangsu Chengli Investment Consulting Co., Ltd., a subsidiary of Shuangliang Group Co.. Mr. Miao Shuangda (one of our Controlling Shareholders) and his associates collectively hold (i) approximately 68% of the registered capital in Shuangliang Group Co., (ii) approximately 65% of the registered capital in Shuangliang Technology, (iii) approximately 65% of the registered capital in Jiangsu Lichuang, and (iv) approximately 68.5% of the interest in Shanghai Tongsheng LP. Each of Shuangliang Group Co., Shuangliang Technology and Jiangsu Lichuang is therefore a connected person of our Company. The general partner of Shanghai Tongsheng LP is Shuangliang Technology who has full power (i) to execute the business of Shanghai Tongsheng LP, and (ii) to represent Shanghai Tongsheng LP for its external affairs. Therefore, Shanghai Tongsheng LP would also be regarded as a connected person of our Company. Mr. Miao Shuangda (one of our Controlling Shareholders) and his associates, both directly and indirectly and individually and collectively, hold approximately 44.48% equity interest in Shuangliang Eco-Energy. Therefore, Shuangliang Eco-Energy is a connected person of our Company under Chapter 14A of the Listing Rules. During the Track Record Period, Shuangliang Eco-Energy Group had mainly supplied us with equipment for heat service.

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Shuangliang New Energy Equipment

Shuangliang New Energy Equipment is a limited liability company established in the PRC which is principally engaged in manufacturing and sales of new energy equipment. Its registered capital is held as to 15% by Jiangsu Lichuang (one of our Controlling Shareholders) and 85% by Shuangliang Eco-Energy, respectively. As a subsidiary of Shuangliang Eco-Energy (which is a connected person of our Company as mentioned above), Shuangliang New Energy Equipment is a connected person of our Company under Chapter 14A of the Listing Rules. Shuangliang New Energy Equipment had mainly supplied us with equipment for heat service during the Track Record Period.

Shuangliang Boiler

Shuangliang Boiler is a limited liability company established in the PRC which is principally engaged in manufacturing and sales of boilers. Its registered capital is held as to 66.67% by Shuangliang Technology (one of our Controlling Shareholders). As a subsidiary of Shuangliang Technology, Shuangliang Boiler is a connected person of our Company under Chapter 14A of the Listing Rules. During the Track Record Period, Shuangliang Boiler had supplied us with equipment for heat service.

Shuangliang Group Co.

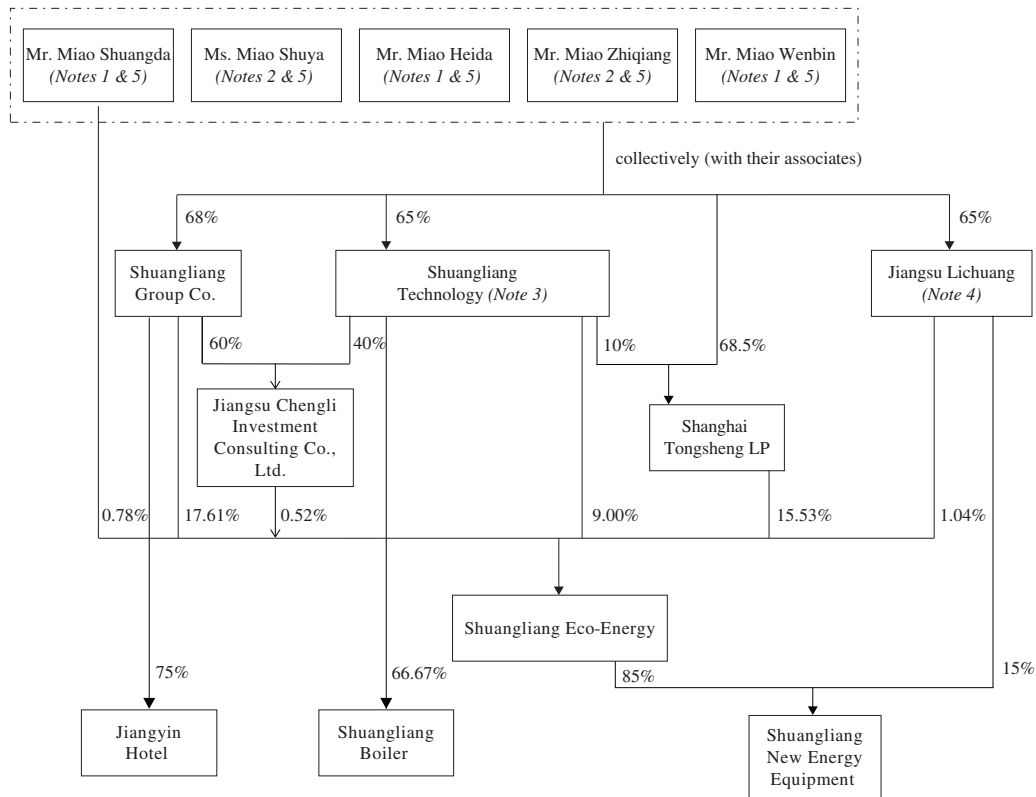
Shuangliang Group Co. is a limited liability company established in the PRC which is principally engaged in manufacturing and sales of devices, equipment and accessories. Mr. Miao Shuangda (繆雙大先生) (one of our Controlling Shareholders) and his associates collectively hold an aggregate of approximately 68% of the registered capital in Shuangliang Group Co.. Therefore, Shuangliang Group Co. is an associate of Mr. Miao Shuangda and hence a connected person of our Company under Chapter 14A of the Listing Rules. During the Track Record Period, Shuangliang Group Co. had authorised us to use one of its trademarks (). The authorisation period ended on 31 December 2021 and has not been extended. Therefore, with the exception to the trademark or logo shown on the machinery or devices our Group procured from Shuangliang Group Co. and/or its associated companies, our Group has ceased to use Shuangliang Group Co.'s trademark as at the Latest Practicable Date and has no intention to use such trademark in the future.

Jiangyin Hotel

Jiangyin Hotel is a limited liability company established in the PRC which is principally engaged in accommodation business. Its registered capital is held as to 75% by Shuangliang Group Co. (which is a connected person of our Company as mentioned above), and thus Jiangyin Hotel is a subsidiary of Shuangliang Group Co. and hence a connected person of our Company under Chapter 14A of the Listing Rules. During the Track Record Period, Jiangyin Hotel had provided us services of accommodation, catering, reception and conference organising, and leased premises to us.

CONNECTED TRANSACTIONS

The following diagram shows the shareholding relationship amongst the relevant connected persons of our Company as at the Latest Practicable Date:



Notes:

1. Mr. Miao Shuangda (繆雙大先生) and Mr. Miao Heida (繆黑大先生) are siblings and uncle of their respective brothers' children. Mr. Miao Shuangda is the father of Mr. Miao Wenbin (繆文彬先生).
2. Mr. Miao Zhiqiang (繆志強先生) and Ms. Miao Shuya (繆舒涯女士) are cousins of Mr. Miao Wenbin (繆文彬先生).
3. Shuangliang Technology is a Controlling Shareholder and the general partner of Shanghai Tongsheng LP.
4. Jiangsu Lichuang is a Controlling Shareholder.
5. Each of Mr. Miao Shuangda (繆雙大先生), Mr. Miao Wenbin (繆文彬先生), Ms. Miao Shuya (繆舒涯女士), Mr. Miao Heida (繆黑大先生), and Mr. Miao Zhiqiang (繆志強先生) is a Controlling Shareholder.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Procurement of consumer services from connected person

Our Group has been procuring consumer services, including but not limited to accommodation, catering, reception and conference organising services (the “**Comprehensive Services**”), from Jiangyin Hotel since 2010, which are in our ordinary and usual course of business and on normal commercial terms or better than those available from Independent Third Parties. The respective service fees to be charged shall be determined after arm’s length negotiations between our Group on one hand, and Jiangyin Hotel on the other hand, with reference to (i) the prevailing market price for the provision of similar Comprehensive Services; and (ii) all costs incurred for the provision of such services.

CONNECTED TRANSACTIONS

Taking into account that (i) our Company has over 10 years of business relationship with Jiangyin Hotel; (ii) the quality of Comprehensive Services provided by Jiangyin Hotel has been satisfactory to us; and (iii) the proximity of the relevant facilities of Jiangyin Hotel with our Company, we expect that we will continue to engage Jiangyin Hotel for such Comprehensive Services after the [REDACTED] from time to time on an as-needed basis, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The Comprehensive Services are: (i) of the type ordinarily supplied for our Group’s own private use or consumption and not for resale; (ii) not used by our Group for any of our businesses or contemplated businesses; (iii) to be consumed by our Group in the same state as when they are procured; and (iv) to be made on no more favourable terms to Jiangyin Hotel, or no less favourable terms to our Group than those available from Independent Third Parties. Therefore, the provision of Comprehensive Services by Jiangyin Hotel is fully exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.97 of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Master Agreements for (a) purchase of heat services-related equipment, devices and materials; and (b) procurement of add-on services in relation to heat services-related equipment, devices and materials

Principal terms

On [●] 2023, our Company entered into (i) Annual Master Supply and Service Agreement for the year ending 31 December 2023 (the “**Master Agreement 1**”) with Shuangliang Eco-Energy (on its own and on behalf of its subsidiaries); and (ii) Master Supply Agreement for the three years ending 31 December 2025 with Shuangliang Boiler (the “**Master Agreement 2**”, together with the Master Agreement 1 referred hereinafter to as collectively the “**Master Agreements**”).

Pursuant to the Master Agreement 1, our Company shall purchase heat services-related equipment, devices and materials (with related supporting services) and/or add-on services in relation to heat services-related equipment, devices and materials (such as equipment modification, maintenance and safety monitoring). The Master Agreement 1 shall commence from the [REDACTED] and will expire on 31 December 2023.

Pursuant to the Master Agreement 2, our Company shall purchase heat services-related equipment, devices and materials (with related supporting services). The Master Agreement 2 shall commence from the [REDACTED] and will expire on 31 December 2025.

CONNECTED TRANSACTIONS

The following sets forth the principal terms of the Master Agreements:

We will make purchase order or service request with Shuangliang Eco-Energy Group or Shuangliang Boiler from time to time on an as-needed basis when we need to purchase any heat services-related equipment, devices and materials (with related supporting services) and/or add-on services in relation to heat services-related equipment, devices and materials. The purchase price for each individual purchase order and/or the service fee for each request shall be determined after arm's length negotiations between Shuangliang Eco-Energy Group or Shuangliang Boiler and us from time to time with reference to the then prevailing market price, quality and logistics capacity of similar products or services in the market by way of independent third-party quotation.

Since the Master Agreements are framework agreements, the Master Agreements did not specify any repayment terms. According to our dealings with Shuangliang Eco-Energy Group and Shuangliang Boiler during the Track Record Period, we are usually required to settle the relevant fees by instalments in accordance with the terms of each agreement. The actual payment terms should be determined on a case by case basis.

Reasons for entering into the Master Agreements

For Master Agreement 1

For conducting our business, we procured heat service-related equipment, such as pipes, heat exchangers and heat pumps. Shuangliang Eco-Energy Group has supplied heat services-related equipment, devices and materials (with related supporting services) and provided add-on services in relation to heat services-related equipment, devices and materials to our Group since 2014.

Taking into account (i) Shuangliang Eco-Energy is a company established in 1995 and listed on the Shanghai Stock Exchange and has been supplying heat service-related equipment for some time; (ii) Shuangliang Eco-Energy Group is capable of supplying equipment, devices, materials and services required by our Group; (iii) Shuangliang Eco-Energy Group was able to meet our requirements on a timely basis with a price that we considered relatively competitive, our Directors consider that entering into the Master Agreement 1 with Shuangliang Eco-Energy (on its own and on behalf of its subsidiaries) would allow our Group to maintain a stable supply of heat services-related equipment, devices and materials (with related supporting services) as well as related add-on services required for our business.

Further, our Directors are of the opinion that the terms of the Master Agreement 1 are fair and reasonable, on normal commercial terms or better and in the interest of our Group and the Shareholders as a whole.

CONNECTED TRANSACTIONS

For Master Agreement 2

For conducting our business, we procured boilers as one of the heat service-related equipment. Shuangliang Boiler has been supplying heat services-related equipment, devices and materials (with related supporting services) to our Group during the Track Record Period.

Taking into account that (i) Shuangliang Boiler is capable of supplying certain equipment, devices, materials and providing related supporting services required by our Group on a timely basis with a competitive price, satisfactory product quality and after-sales service offerings; and (ii) Shuangliang Boiler has a track record in going through our supplier selection processes and supplying heat services-related equipment including boilers, our Directors consider that entering into the Master Agreement 2 with Shuangliang Boiler would allow our Group to maintain a stable supply of heat services-related equipment, devices and materials.

Further, our Directors are of the opinion that the terms of the Master Agreement 2 are fair and reasonable, on normal commercial terms or better and in the interest of our Group and the Shareholders as a whole.

Historical amounts

For Master Agreement 1

In respect of Shuangliang Eco-Energy, during the Track Record Period, Hulunbuir Shuangliang, Taiyuan Renewable Energy, Gansu Shuangliang and Lanzhou Shuangliang had purchased heat services-related equipment, devices and materials (with related supporting services) or received add-on services in relation to heat services-related equipment, devices and materials from Shuangliang Eco-Energy and its subsidiary, namely Shuangliang New Energy Equipment.

For the three years ended 31 December 2020, 2021 and 2022, the transaction amounts with Shuangliang Eco-Energy Group were as follows:

Connected person	Nature of transactions	For the year ended 31 December		
		2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shuangliang Eco-Energy and Shuangliang New Energy Equipment	<ul style="list-style-type: none"> • Purchase of heat services-related equipment, devices and material (with related supporting services) • Add-on services in relation to heat services-related equipment, devices and material 	30,103	11,743	11,683
		170	148	2,231

CONNECTED TRANSACTIONS

During the Track Record Period, the changes in our transaction amounts with Shuangliang Eco-Energy Group were in line with the varying procurement demand for each of our projects. On 20 March 2019 and 5 July 2019, our Group entered into a technology agreement and a commercial agreement with Shuangliang Eco-Energy in respect of Phase I construction for the flue gas waste heat recovery and utilisation project* (煙氣餘熱回收利用項目一期工程) of the Lanzhou New Area Project (the “**Lanzhou New Area Project Agreement**”), under which Shuangliang Eco-Energy was responsible for the design, supply of various equipment, instruments and devices, construction and installation, delivery of the relevant documents and testing. Certain services and/or products under the Lanzhou New Area Project Agreement were received during the year ended 31 December 2020, representing approximately 40% of the total transaction amount for the year ended 31 December 2020. In addition to the Lanzhou New Area Project Agreement, Shuozhou Project and Taiyuan Project also procured from Shuangliang Eco-Energy Group during the year ended 31 December 2020. For the year ended 31 December 2021, there was no service and/or product received under the Lanzhou New Area Project Agreement, and our procurement from Shuangliang Eco-Energy Group was mainly made for Taiyuan Project and Shanxi Demonstration Zone Project for which the procurement demand was lower as compared to that for the year ended 31 December 2020. Therefore, the transaction amount was lower as compared to the year ended 31 December 2020. For the year ended 31 December 2022, our procurement of heat services-related equipment, devices and materials from Shuangliang Eco-Energy Group was mainly made for Taiyuan Project, and the transaction amount was similar to that for the year ended 31 December 2021.

There was an increase for the transaction amount for add-on services for the year ended 31 December 2022 as compared to the years ended 31 December 2020 and 2021, as we entered into a new service agreement in respect of the maintenance and repair of the Lithium bromide absorption heat pumps unit for Shuozhou Project in 2022.

For Master Agreement 2

In respect of Shuangliang Boiler, during the Track Record Period, Lanzhou Shuangliang had purchased heat services-related equipment, devices and materials (with related supporting services) from Shuangliang Boiler.

For the three years ended 31 December 2020, 2021 and 2022, the transaction amounts with Shuangliang Boiler were as follows:

Connected person	Nature of transactions	For the year ended 31 December		
		2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Shuangliang Boiler	<ul style="list-style-type: none"> • Purchase of heat services-related equipment and devices (with related supporting services) (i.e. boilers) 	419	2,205	2,177

CONNECTED TRANSACTIONS

During the Track Record Period, the changes in the transaction amounts with Shuangliang Boiler for the three years ended 31 December 2020, 2021 and 2022 were basically in line with the numbers of boilers purchased during the same period. The boilers purchased from Shuangliang Boiler were mainly used as back-up heat services in the event of heat supply shortage, unexpected incidents, sudden demand, suspension or disruption. For the year ended 31 December 2020, there was only one boiler purchased from Shuangliang Boiler for the Shanxi Demonstration Zone Project. The increase in our transaction amount with Shuangliang Boiler for the year ended 31 December 2021 was mainly due to the purchase of five boilers for the Taiyuan Project and Shanxi Demonstration Zone Project. Our transaction amount with Shuangliang Boiler for the year ended 31 December 2022 remained stable as compared with the transaction amount for the year ended 31 December 2021, as five boilers were purchased for the Taiyuan Project during 2022.

Annual caps and basis

For Master Agreement 1

Our Directors estimate that under the Master Agreement 1 for the year ending 31 December 2023,

- (i) the transaction amount between our Group and Shuangliang Eco-Energy Group for the purchase of heat services-related equipment, devices and materials (with related supporting services) will not exceed RMB10.5 million;
- (ii) the transaction amount for the add-on services in relation to heat services-related equipment, devices and materials will not exceed RMB200,000.

In arriving at the aforesaid annual caps, our Directors have considered (i) the existing contracts entered into between our Group and Shuangliang Eco-Energy Group; (ii) the historical transaction amounts between our Group and Shuangliang Eco-Energy Group for the three years ended 31 December 2020, 2021 and 2022; and (iii) the expected demand for heat services-related equipment, devices and materials (with related supporting services) and/or add-on services in relation to heat service-related equipment, devices and materials with reference to the prevailing market price for similar products/services in the market.

For Master Agreement 2

Our Directors estimate that under the Master Agreement 2, the transaction amount between our Group and Shuangliang Boiler for the purchase of heat service-related equipment, devices and materials with related supporting services will not exceed RMB4.0 million, RMB4.5 million and RMB4.7 million for each of the years ending 31 December 2023, 2024 and 2025 respectively.

CONNECTED TRANSACTIONS

In arriving at the aforesaid annual cap for the year ending 31 December 2023, our Directors have considered (i) the expected procurement of not more than six sets of boilers for Taiyuan Project and/or Shanxi Demonstration Zone Project for the year ending 31 December 2023; (ii) the estimated unit price for each type of boilers to be purchased; and (iii) the transaction amount in relation to the purchase of heat services-related equipment, devices and materials (with related supporting services) from Shuangliang Boiler for the year ended 31 December 2022. Our Group will also procure related materials and services from Shuangliang Boiler from time to time.

The annual caps for the years ending 31 December 2024 and 2025 are estimated with reference to (i) the annual cap for the year ending 31 December 2023; and (ii) the estimated increase in the actual heat service area.

Implications under the Listing Rules for the Master Agreements

Given that (i) both Shuangliang Eco-Energy and Shuangliang Boiler (a subsidiary of Shuangliang Technology) are controlled by Mr. Miao Shuangda (繆雙大先生); (ii) the terms of each of the Master Agreements are substantially identical, except for their respective contracting parties, annual caps and terms of duration; and (iii) both of the Master Agreements set out the purchase of heat service-related equipment, devices and materials with related supporting services, our Directors are of the view that, when calculating the relevant applicable ratios, all transaction amounts of each of the Master Agreements shall be aggregated.

The aggregated annual caps for the years ending on 31 December 2023, 2024 and 2025 under the Master Agreements are RMB14.7 million, RMB4.5 million and RMB4.7 million respectively. The relevant applicable percentage ratios (other than the profit ratio) with respect to the transactions contemplated under the Master Agreements, as aggregated, are expected to exceed 0.1% but less than 5% on an annual basis. Therefore the transactions under the Master Agreements are subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

As the continuing connected transactions under “Partially exempt continuing connected transactions” in this section are expected to continue in the ordinary and usual course of our business on a continuing and recurring basis over a period of time and have been fully disclosed in this section, our Directors consider that it would add administrative costs to our Company if these transactions are subject to strict compliance with the announcement requirements set out under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] to us, a waiver of the above partially exempt continuing connected transactions to be exempted from strict compliance with the announcement requirements during the subsistence of the Master Agreements pursuant to Rule 14A.105 of the Listing Rules, subject to the following conditions:

- (i) the respective proposed annual caps for the continuing connected transactions under the Master Agreements as stated above will not be exceeded;
- (ii) we are still subject to the reporting requirements pursuant to Rules 14A.49 and 14A.71 of the Listing Rules and shall disclose the details of the continuing connected transactions under the Master Agreements in the annual reports for the three financial years ending 31 December 2025;
- (iii) if any of the material terms of the continuing connected transactions under the Master Agreements are altered and/or if our Group enters into any new continuing connected transaction with (i) Shuangliang Eco-Energy Group; and (ii) Shuangliang Boiler, in the future resulting in the aggregate annual amount paid or payable by our Group to them during the subsistence of the Master Agreements exceeding the proposed annual caps as stated above, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules;
- (iv) upon expiry of the waiver, or upon the expiry of the respective term of the Master Agreements, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules; and
- (v) in the event of any further amendments to the Listing Rules which impose more stringent requirements than those as of the date of this submission on the continuing connected transactions, our Company will take appropriate steps to ensure compliance with such requirement within a reasonable time.

The transactions under the Master Agreements will be reviewed by the auditors and our independent non-executive Directors in accordance with Chapter 14A of the Listing Rules on an annual basis to ensure that the purchases or services procured will be conducted on normal commercial terms or better and not prejudicial to our Group and the Shareholders as a whole.

DIRECTORS' VIEW

Our Directors, including the independent non-executive Directors, are of the view that the continuing connected transactions disclosed in this section, which have been and will be entered into in the ordinary and usual course of business of our Group, are fair and reasonable, on normal commercial terms or better, and in the interests of our Company and the Shareholders as a whole, and that the proposed annual caps for the partially exempt continuing connected transactions described in this section are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor, having reviewed the relevant information and historical figures (where applicable) relating to the continuing connected transactions as disclosed above, is of the view that (i) the above continuing connected transactions will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and (ii) the proposed annual caps for these transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.