

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **Jilin Province Chuncheng Heating Company Limited\***

**吉林省春城熱力股份有限公司**

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

**(Stock code: 1853)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **CONTINUING CONNECTED TRANSACTIONS**

On 11 October 2023, the Company has entered into the following agreements with Chuncheng Investment or its associates:

#### **1. Non-exempt Continuing Connected Transactions**

- (a) the 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment) 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) for a term from 1 January 2024 to 31 December 2026 in relation to the procurement of heat by the Group from Chuncheng Investment Group;
- (b) the 2024–2026 Heat Procurement Framework Agreement (Datang JV) between the Company (for itself and on behalf of its subsidiaries) and Datang JV for a term from 1 January 2024 to 31 December 2026 in relation to the procurement of heat by the Group from Datang JV;
- (c) the 2024–2026 Construction Framework Agreement 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) for a term from 1 January 2024 to 31 December 2026, whereby the Group agrees to provide construction, maintenance and design services to Chuncheng Investment Group; and

- (d) the 2024–2026 Pipes Supply Framework Agreement between the Company (for itself and on behalf of its subsidiaries) and New Model Pipes (for itself and on behalf of its subsidiaries) for a term from 1 January 2024 to 31 December 2026, whereby New Model Pipes Group agrees to supply pipes for heating supply to the Group.

**2. Partially-exempt Continuing Connected Transactions**

- (a) the 2024–2026 Entrusted Management Framework Agreement between the Company and Chuncheng Investment for a term from 1 January 2024 to 31 December 2026, whereby Chuncheng Investment agrees to entrust the Company with the right to operate and manage the heat supply business of the Entrusted Companies; and
- (b) the 2024–2026 Tenancy Framework Agreement between the Company (for itself and on behalf of its subsidiaries) and Chuncheng Investment (for itself and on behalf of its associates and related legal persons) for a term from 1 January 2024 to 31 December 2026 in relation to the Tenancy Arrangements.

**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 Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

### **(1) Non-exempt Continuing Connected Transactions**

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.

### **(2) Partially-exempt Continuing Connected Transactions**

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules for each of the Partially-exempt Continuing Connected Transactions are, on an annual basis, over 0.1% but all of them are less than 5%, each of the Partially-exempt Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **GENERAL**

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.

The Independent Financial Adviser, Giraffe Capital Limited, 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.

A circular of the Company containing, among other things, (i) details of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder; and (iii) the recommendation of the Independent Board Committee regarding each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder to the Independent Shareholders, is expected to be despatched to the Shareholders on or before 16 November 2023 to allow sufficient time to finalise the contents of the circular.

## **I. INTRODUCTION**

References are made to the announcements of the Company dated 29 October 2020, 29 March 2021, 15 September 2021, 18 November 2021, 28 August 2023 and 9 October 2023 in relation to 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, the 2021–2023 Pipes Supply Framework Agreement, the 2021–2023 Entrusted Management Framework Agreement and the Tenancy Agreements.

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, the 2021–2023 Pipes Supply Framework Agreement and the 2021–2023 Entrusted Management 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, the 2024–2026 Pipes Supply Framework Agreement and the 2024–2026 Entrusted Management Framework Agreement, to, among other things, extend the respective terms of the agreements to 31 December 2026.

In addition, as the current term of each of the Tenancy Agreements differs from one another, in order to facilitate the management of the Group's tenancy arrangements with Chuncheng Investment, its associates and related legal persons, the Company and Chuncheng Investment entered into the 2024–2026 Tenancy Framework Agreement on 11 October 2023.

## II. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### 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)
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.

### 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:

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

### 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) 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)



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***

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.

### 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:

		<b>FY2023</b> <b>(up to</b> <b>30 June</b> <b>2023)</b>	<b>FY2024</b> <b>(Proposed</b> <b>annual cap)</b>	<b>FY2025</b> <b>(Proposed</b> <b>annual cap)</b>	<b>FY2026</b> <b>(Proposed</b> <b>annual cap)</b>
<b>FY2021</b> <b>(Actual</b> <b>amount)</b>	<b>FY2022</b> <b>(Actual</b> <b>amount)</b>	<b>(Actual</b> <b>amount)</b>	<b>(Proposed</b> <b>annual cap)</b>	<b>(Proposed</b> <b>annual cap)</b>	<b>(Proposed</b> <b>annual cap)</b>
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 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.

## 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.

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.

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 by the Group***

### *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;
- (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.

#### *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.

### 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:

<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>
<b>(Actual amount)</b>	<b>(Actual amount)</b>	<b>(up to 30 June 2023) (Actual amount)</b>	<b>(Proposed annual cap)</b>	<b>(Proposed annual cap)</b>	<b>(Proposed annual cap)</b>
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<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; 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.

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***

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 review and draft 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.



### 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:

<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>
<b>(Actual amount)</b>	<b>(Actual amount)</b>	<b>(up to 30 June 2023) (Actual amount)</b>	<b>(Proposed annual cap)</b>	<b>(Proposed annual cap)</b>	<b>(Proposed annual cap)</b>
<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 <i>(Note)</i>	2,735 <i>(Note)</i>	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.

### 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. PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

**A. The 2024–2026 Entrusted Management Framework Agreement**

**1. Principal Terms**

Date: 11 October 2023

Parties: (a) the Company  
(b) Chuncheng Investment

Subject matter: Chuncheng Investment agrees to entrust the Company with the right to operate and manage the heat supply business of the Entrusted Companies during the Entrusted Management Period whereby the Company shall provide management services in relation to the heat supply business of such Entrusted Companies covering procurement, production, sales, finance, business operations, human resources management and other business decisions, etc.

For the avoidance of doubt, the Company shall not be liable for the profit or loss or any debts of the Entrusted Company. All profits or losses of the Entrusted Companies shall be enjoyed or borne by the Entrusted Companies and Chuncheng Investment, and the Company shall not be entitled to any profits of the Entrusted Companies.

Each Entrusted Company may, pursuant to the principles of the 2024–2026 Entrusted Management Framework Agreement, enter into specific agreements with the Company or its subsidiaries in respect of the management of such Entrusted Company.

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

Entrusted management fee:

The entrusted management fee payable by Chun Cheng Investment to the Company under the 2024–2026 Entrusted Management Framework Agreement shall be based on the actual cost incurred by the Company for the provision of the entrusted management services with a 10% mark-up. The parties agree that the entrusted management fee payable by Chun Cheng Investment Group to the Company shall not exceed RMB5,150,000, RMB5,410,000 and RMB5,680,000 for the year ending 31 December 2024, 2025 and 2026, respectively.

The entrusted management fee for each calendar year is payable by Chun Cheng Investment Group to the Company in one lump sum on or before 31 December of such calendar year.

The entrusted management fee is determined on a cost-plus basis with a 10% mark-up after arm's length negotiations between the parties and on terms no more favourable than those provided by the Company to the Independent Third Parties.

## 2. *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 Entrusted Management Framework Agreement; and (b) the proposed annual caps for the transactions contemplated under the 2024–2026 Entrusted Management Framework Agreement for the respective periods:

		<b>FY2023</b> <b>(up to</b> <b>30 June</b>			
<b>FY2021</b> <b>(Actual</b> <b>amount)</b>	<b>FY2022</b> <b>(Actual</b> <b>amount)</b>	<b>2023)</b> <b>(Actual</b> <b>amount)</b>	<b>FY2024</b> <b>(Proposed</b> <b>annual cap)</b>	<b>FY2025</b> <b>(Proposed</b> <b>annual cap)</b>	<b>FY2026</b> <b>(Proposed</b> <b>annual cap)</b>
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
539	4,267	2,114	5,150	5,410	5,680

### **3. *Reasons for the proposed annual caps***

In arriving at the proposed annual caps, the Board considered factors including (1) the estimated cost of the Company to provide the entrusted management services, including the salaries of relevant management staff and related expenses; (2) a 10% mark-up; and (3) a 5% yearly increment to cater for future increases in the cost of entrusted management services such as salary increases.

## **B. The 2024–2026 Tenancy Framework Agreement**

### **1. *Principal terms***

Date: 11 October 2023

Parties: (a) the Company, as tenant  
(b) Chuncheng Investment, as landlord

Subject matter: Chuncheng Investment (and its associates and related legal persons), as landlord, shall lease the Premises to the Company (and/or its subsidiaries), as tenant, subject to the terms and conditions of the 2024–2026 Tenancy Framework Agreement.

Separate tenancy agreement will be entered into between the relevant parties in respect of the tenancy arrangement for each premises.

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

Rent: The total rent payable by the Group to Chuncheng Investment, its associates and related legal persons in respect of the Tenancy Arrangements shall not exceed RMB10,000,000, RMB10,000,000 and RMB10,000,000 for the year ending 31 December 2024, 2025 and 2026, respectively.

During the term of the 2024–2026 Tenancy Framework Agreement, subject to the Company's compliance with the requirements under the applicable listing rules (including the Listing Rules), the parties may make adjustments to the amount of rent payable by the Group.

The actual rent payable by the Group shall be arrived at after arm's length negotiations between the relevant parties and determined with reference to the prevailing market rent of premises of similar type and size in the proximity and the valuation of the premises conducted by an independent valuer on the market rental chargeable in respect of such premises.

Right of First Refusal: During the term of the 2024–2026 Tenancy Framework Agreement, the Group shall be entitled to a first right of refusal to purchase the relevant Premises in the event Chuncheng Investment (and its associates) intends to transfer the ownership of such Premises. Should the Group decide to exercise the first right of refusal in the future, the Company shall comply with all applicable requirements under the Listing Rules.

## ***2. 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 Tenancy Agreements; and (b) the proposed annual caps for the transactions contemplated under the 2024–2026 Tenancy Framework Agreement for the respective periods:

	<b>FY2023</b> <b>(up to</b> <b>31 August</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>
<b>FY2022</b> <b>(Actual</b> <b>amount)</b>	<b>2023)</b> <b>(Actual</b> <b>amount)</b>	<b>(Proposed</b> <b>annual cap)</b>	<b>(Proposed</b> <b>annual cap)</b>	<b>(Proposed</b> <b>annual cap)</b>
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2,437	1,806	10,000	10,000	10,000

## ***3. Reasons for the proposed annual caps***

In arriving at the annual caps, the Board considered factors including the size of the Premises subject to the 2024–2026 Tenancy Framework Agreement, the historical rent paid by the Group to Chuncheng Investment Group in respect of the leasing of the Premises, the expected increase in market rent of premises of similar type and size in the

proximity of the Premises, and the expected increase in the size of the premises to be leased by the Group from Chuncheng Investment Group in view of the continuous expansion of the Group's business operations.

#### **IV. REASONS FOR AND BENEFITS OF ENTERING INTO OF THE 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 Group's 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.

**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.

## **E. The 2024–2026 Entrusted Management Framework Agreement**

Due to historical reasons, many state-owned enterprises in the PRC also engage in heat supply (including gas supply), water supply, electricity supply and property management services (i.e. Three Supplies and Property Management) as side businesses, which may lead to lower efficiency. As such, the Ministry of Finance of the PRC (中華人民共和國財政部) and the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) implemented the Three Supplies and Property Management Policy to segregate Three Supplies and Property Management Operations from these state-owned enterprises to enterprises which are specialized to provide such services, so that such state-owned enterprises could concentrate on its principal businesses.

Pursuant to the Three Supplies and Property Management Policy, Chuncheng Investment began to take part in the Three Supplies and Property Management Operations from certain state-owned enterprises. Since the promulgation of the Three Supplies and Property Management Policy and up to the date of this announcement, Chuncheng Investment has participated in the heat supply operations of the Three Supplies and Property Management Operations formerly operated by certain state-owned enterprises.

All of the assets and heat supply operations operated by Chuncheng Investment are located in the Northeast China, including Jilin Province, Heilongjiang Province and Inner Mongolia. Going forward, Chuncheng Investment needs to complete government approval procedures before it could acquire the title of any of these assets and/or heat supply operations. As at the date of this announcement, the aforementioned government approval procedures are yet to be completed. In view of the Proposed A Share Listing and the requirements of the Shenzhen Stock Exchange, as an interim measure, the Company intends to enter into the 2024–2026 Entrusted Management Framework Agreement as an additional safeguard to minimize any potential competition between the Group and Chuncheng Investment Group during the interim period before the completion of the transfer of such assets to the Entrusted Companies. Moreover, Chuncheng Investment agrees to transfer such assets to the Company as and when it has acquired the title of such assets. On the other hand, it is the intention that the Group will exercise its right under the Non-competition Agreement to acquire the businesses of the Entrusted Companies when the transfer of such assets to the Entrusted Companies is completed. Separate transfer agreement(s) will be entered into between Chuncheng Investment and the Company in relation to such transfers as and when appropriate. Upon expiry of the term of the 2024–2026 Entrusted Management Framework Agreement, if the assets are yet to be acquired by



the Company, it is expected that Chuncheng Investment and the Company will enter into a new entrusted management framework agreement, subject to compliance with the respective internal approval procedures of Chuncheng Investment Group and the Company and the requirements of applicable laws, regulations and the Listing Rules.

#### **F. The 2024–2026 Tenancy Framework Agreement**

As disclosed in the Company’s announcements dated 28 August 2023 and 9 October 2023, the Group has been leasing Premises 1, Premises 2, Premises 3, Premises 4 and Premises 5 since 2022, 2018, 2018, 2021 and 2022, respectively, for office or warehouse use. Having considered the location of the Premises and the rent charged by Chuncheng Investment Group is fair, to ensure the continuous operations of the Group, the Company considers it necessary for the Group to continue with the Tenancy Arrangements going forward.

The term of each of the CCT Agreements were agreed by the relevant parties after arm’s length negotiations.

Based on the above:

1. 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 will be set out in the circular to be issued by the Company after taking into consideration the advice of the Independent Financial Adviser) 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;
2. the Directors (excluding (a) Mr. Sun Huiyong who abstained from voting at the relevant Board meeting 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 as required by the Listing Rules and the Articles of Association; and (b) the independent non-executive Directors

whose view will be set out in the circular to be issued by the Company after taking into consideration the advice of the Independent Financial Adviser) 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; and

3. the Directors (excluding Mr. Sun Huiyong who abstained from voting at the relevant Board meeting to approve each of the Partially-exempt Continuing Connected Transactions as required by the Listing Rules and the Articles of Association) consider (i) each of the Partially-exempt Continuing Connected Transactions 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 Entrusted Management Framework Agreement and the 2024–2026 Tenancy Framework Agreement (including the relevant proposed annual caps) to be fair and reasonable.

## **V. INTERNAL CONTROL MEASURES ADOPTED BY THE GROUP**

The Group has adopted the following internal control measures over the 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 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; (ii) the transactions are carried out in accordance with the Company's pricing policies and the terms of the relevant 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 announcement. 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 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;

- (ii) *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 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;
- (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 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 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 CCT Agreements are 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 (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 Company’s management on a quarterly basis;

- (g) 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
- (h) 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.

## **VI. INFORMATION OF THE PARTIES INVOLVED**

### **A. The Group**

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

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

### **VII. 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 Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

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 Chuncheng Investment. Accordingly, Mr. Sun Huiyong has abstained from voting at the relevant Board meeting to approve each of the 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 CCT Agreements (including the relevant proposed annual caps) and the transactions contemplated thereunder.

## **A. The Non-exempt Continuing Connected Transactions**

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.

## **B. The Partially-exempt Continuing Connected Transactions**

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules for each of the Partially-exempt Continuing Connected Transactions are, on an annual basis, over 0.1% but all of them are less than 5%, each of the Partially-exempt Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements but exempt from the circular, independent financial advice and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## VIII. GENERAL

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.

The Independent Financial Adviser, Giraffe Capital Limited, 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.

At the EGM, ordinary resolutions, among other things, will be put forward for the Independent Shareholders to consider and, if appropriate, to approve each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder.

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 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 resolution approving each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder at the EGM.

A circular of the Company containing, among other things, (i) details of each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder; (ii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder; and (iii) the recommendation of the Independent Board Committee regarding each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder to the Independent Shareholders, is expected to be despatched to the Shareholders on or before 16 November 2023 to allow sufficient time to finalise the contents of the circular.



## IX. DEFINITIONS

In this announcement, unless otherwise defined, terms used herein 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 Entrusted Management Framework Agreement” the entrusted management framework agreement dated 18 November 2021 and entered into between the Company and Chuncheng Investment, whereby Chuncheng Investment agrees to entrust the Company with the right to operate and manage the heat supply business of the Entrusted Companies
- “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
“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 Entrusted Management Framework Agreement”	the entrusted management framework agreement dated 11 October 2023 and entered into between the Company and Chuncheng Investment, whereby Chuncheng Investment agrees to entrust the Company with the right to operate and manage the heat supply business of the Entrusted Companies
“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

“2024–2026 Tenancy Framework Agreement”	the tenancy framework agreement dated 11 October 2023 and entered into between the Company and Chuncheng Investment in relation to the Tenancy Arrangements
“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
“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, the 2024–2026 Pipes Supply Framework Agreement, the 2024–2026 Entrusted Management Framework Agreement and the 2024–2026 Tenancy Framework Agreement
“Chuncheng Investment”	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司), previously known as Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the controlling Shareholder of the Company
“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 “IV. Reasons for and Benefits of Entering into of the Continuing Connected Transactions — A. The 2024–2026 Heat Procurement Framework Agreement (Chuncheng Investment)” in this announcement
“Company”	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司), presently a joint stock company with limited liability which was incorporated in the PRC on 23 October 2017 and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transactions”	collectively, the Partially-exempt Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Datang JV”	Datang Changre Jilin Heating Company Limited* (大唐長熱吉林熱力有限公司), a joint venture company established in the PRC on 23 March 2017 and is owned by 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)”	the director(s) of the Company
“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
“EGM”	the second extraordinary general meeting of 2023 or any adjournment thereof of the Company to be convened to consider and if appropriate, to approve, among other things, each of the Non-exempt CCT Agreements (together with the relevant proposed annual caps) and the transactions contemplated thereunder
“Entrusted Companies”	the 8 companies established in the PRC and directly or indirectly wholly-owned by Chuncheng Investment which are engaging in the heat supply business in Jilin Province and Inner Mongolia, the PRC as at the date of the 2024–2026 Entrusted Management Framework Agreement and any other company(ies) established or acquired by Chuncheng Investment in the future which is/are engaging in the heat supply business

“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 Shareholder(s)”	holder(s) of H Share(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), 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 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
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“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 Thermolectricity Limited* (大唐長春第二熱電有限責任公司), Changchun Thermolectricity 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-competition Agreement”	the agreement of non-competition entered into between Chuncheng Investment and the Company dated 17 September 2019 in respect of certain non-competition undertakings given by Chuncheng Investment in favour of the Group
“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 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
“Partially-exempt Continuing Connected Transactions”	collectively, the transactions contemplated under the 2024–2026 Entrusted Management Framework Agreement and the 2024–2026 Tenancy Framework Agreement

“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, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Premises”	collectively, Premises 1, Premises 2, Premises 3, Premises 4 and Premises 5 and such other premises owned by Chuncheng Investment, its associates or related legal persons which are leased to the Group pursuant to the 2024–2026 Tenancy Framework Agreement
“Premises 1”	the premises situated at 500 meters south of the intersection of Liuying West Road and Qingtianshu Street, Nanguan District, Changchun City (長春市南關區柳鶯西路與擎天樹街交匯南行500米)
“Premises 2”	the premises situated at Southwest of No. 5 Heping Street, Luyuan District, Changchun City (長春市綠園區和平大街5號西南方向)
“Premises 3”	the premises situated at Xichang Community, Chaoyang District (朝陽區西昌小區)
“Premises 4”	the premises situated at 2nd Floor (except the auditorium), 4th Floor South and 5th Floor of No. 998 Nanhu Road, Nanguan District, Changchun City (長春市南關區南湖大路998號2層(除禮堂以外房間)、4層南側、5層)
“Premises 5”	the premises situated at 4th Floor (partial area) and 7th Floor of No. 998 Nanhu Road, Nanguan District, Changchun City (長春市南關區南湖大路998號4層(部分區域)、7層)
“Proposed A Share Listing”	the Company’s plan of the listing of, and the trading in RMB in, Shares on the Shenzhen Stock Exchange



“related legal person(s)”	has the meaning ascribed thereto under the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange
“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
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of Share(s)
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Tenancy Agreement 1”	the tenancy agreement dated 28 August 2023 entered into between the Company (as tenant) and Chuncheng Investment (as landlord) for the lease of Premises 1
“Tenancy Agreement 2”	the tenancy agreement dated 28 August 2023 entered into between Runfeng (as tenant) and Chuncheng Investment (as landlord) for the lease of Premises 2
“Tenancy Agreement 3”	the tenancy agreement dated 1 May 2022 entered into between the Company (as tenant) and Chuncheng Investment (as landlord) for the lease of Premises 3
“Tenancy Agreement 4”	the tenancy agreement dated 9 October 2023 entered into between the Company (as tenant) and Chuncheng Investment (as landlord) for the lease of Premises 4
“Tenancy Agreement 5”	the tenancy agreement dated 4 January 2023 entered into between the Company (as tenant) and Chuncheng Investment (as landlord) for the lease of Premises 5

“Tenancy Agreements”	collectively, the Tenancy Agreement 1, the Tenancy Agreement 2, the Tenancy Agreement 3, the Tenancy Agreement 4 and the Tenancy Agreement 5
“Tenancy Arrangements”	the tenancy arrangements between the Company and its subsidiary (as tenant) and Chuncheng Investment (as landlord)
“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.

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

Jilin, the PRC, 11 October 2023

*As at the date of this announcement, the non-executive Director of the Company is Mr. Sun Huiyong (Chairman); the executive Directors are Mr. Yang Zhongshi, Mr. Shi Mingjun, Mr. Xu Chungang and Mr. Li Yeji; and the independent non-executive Directors are Mr. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man.*

*\* For identification purpose only*