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

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

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Jilin Province Chuncheng Heating Company Limited*

吉林省春城熱力股份有限公司

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

(Stock code: 1853)

**REPORT OF THE DIRECTORS FOR THE YEAR 2020,
REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2020,
ANNUAL REPORT FOR THE YEAR 2020,
AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2020,
PROFIT DISTRIBUTION PLAN FOR THE YEAR 2020,
REMUNERATION PLAN FOR DIRECTORS FOR THE YEAR 2021,
REMUNERATION PLAN FOR SUPERVISORS FOR THE YEAR 2021,
RE-APPOINTMENT OF THE COMPANY'S AUDITORS FOR THE YEAR 2021,
PROPOSED ELECTION OF NEW SESSION OF THE BOARD
OF DIRECTORS AND THE SUPERVISORY COMMITTEE,
NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS,
GENERAL MANDATE TO ISSUE SHARES
AND
NOTICE OF 2020 ANNUAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Giraffe Capital Limited

The letter from the Board is set out on pages 5 to 28 of this circular.

A letter from the Independent Board Committee is set out on pages 29 to 30 of this circular.

A letter from Giraffe Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 31 to 52 of this circular.

A notice dated 27 April 2021 convening the AGM to be held at 9 a.m. on Friday, 28 May 2021 at the Conference Room 907, Chuncheng Heating, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC is set out on pages 69 to 72 of this circular.

The proxy form for the AGM has been posted to you on 27 April 2021. Whether or not you are able to attend the AGM in person, you are requested to complete and return the applicable proxy form in accordance with the instructions printed thereon. In case of H Shareholders, the proxy form must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible; in case of Domestic Shareholders, the proxy form must be lodged with the head office of the Company in the PRC at No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC as soon as possible; but in any event, not less than 24 hours before the time scheduled for holding the relevant meeting (or any adjournment thereof). Completion and delivery of the proxy form will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof if you so desire.

* For identification purposes only

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DEFINITIONS

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

“2019-2021 Construction Framework Agreement”	the construction framework agreement dated 17 September 2019 entered into between the Company (for itself and on behalf of its subsidiaries) and Changchun Heating Group (for itself and on behalf of its subsidiaries other than the Group) for a term up to 31 December 2021, whereby the Group agrees to provide construction, maintenance and design services to the Controlling Shareholder Group. For details, please refer to the section headed “Continuing Connected Transactions – Non-exempt Continuing Connected Transactions – 1. Provision of construction, maintenance and design services to our Controlling Shareholder Group under construction framework agreements” in the Prospectus
“2021-2023 Construction Framework Agreement”	the construction framework agreement dated 29 March 2021 entered into between the Company (for itself and on behalf of its subsidiaries) and Changchun Heating Group (for itself and on behalf of its subsidiaries other than the Group), whereby the Group agrees to provide construction, maintenance and design services to the Controlling Shareholder Group. For details, please refer to the section headed “Letter from the Board – Ordinary Resolutions – Non-exempt Continuing Connected Transactions” in this circular
“AGM” or “2020 AGM”	the 2020 annual general meeting to be held by the Company at the Conference Room 907, Chuncheng Heating, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC at 9 a.m. on Friday, 28 May 2021
“Articles of Association”	the articles of association of the Company (as amended, modified or otherwise supplemented from time to time)
“Board”	the board of Directors
“Changchun Heating Group”	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the controlling shareholder of the Company, and a state-owned company established in the PRC on 28 April 1998 which held approximately 69.75% of the total share capital of the Company as at the Latest Practicable Date
“Changchun SASAC”	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)

DEFINITIONS

“Company”	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司), a company incorporated in the PRC on 23 October 2017, is currently a joint stock company, and the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1853)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder Group”	Changchun Heating Group and its subsidiaries (other than the Group)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	domestic ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company
“Domestic Shareholder(s)”	holder(s) of Domestic Shares
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of the Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company
“H Shareholder(s)”	holder(s) of H Shares
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong dollar(s)” or “HKD”	the lawful currency of Hong Kong, Hong Kong dollars
“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 the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions thereunder

DEFINITIONS

“Independent Financial Adviser”	Giraffe Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO), which has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder
“Independent Shareholder(s)”	the Shareholder(s), other than (i) Changchun Heating Group and its associates; and (ii) those who are required under the Listing Rules to abstain from voting on the resolution(s) for approving, among others, the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder at the AGM
“Issue Mandate”	a general mandate proposed to be granted to the Board by the Shareholders at the AGM to issue not more than 20% of the respective number of Domestic Shares and/or H Shares in issue as at the date of passing the relevant special resolution of the Company, at any time during the period specified in the relevant special resolutions set out in the notice of the AGM, and make corresponding amendments to the Article of Association as and when deemed appropriate
“Latest Practicable Date”	19 April 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing”	the listing of the H Shares of the Company on the Main Board of the Stock Exchange on 24 October 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Non-exempt Continuing Connected Transactions”	the transactions contemplated under the 2021-2023 Construction Framework Agreement
“PBOC”	the People’s Bank of China (中國人民銀行)
“PRC”	the People’s Republic of China (excluding, for the purpose of this circular, Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan)

DEFINITIONS

“Prospectus”	the prospectus of the Company dated 27 September 2019 and issued in relation to the Listing
“RMB”	the lawful currency of the PRC, Renminbi, the basic unit of which is “yuan”
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	H Share(s) and Domestic Share(s)
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Yatai Heating”	Changchun Yatai Heating Company Limited* (長春亞泰熱力有限責任公司), a limited liability company established in the PRC on 30 October 1998 and is a wholly-owned subsidiary of the Company. Yatai Heating is principally engaged in the heat services business
“%”	per cent.

* For identification purpose only

LETTER FROM THE BOARD



Jilin Province Chuncheng Heating Company Limited* **吉林省春城熱力股份有限公司**

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

(Stock code: 1853)

Executive Directors:

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

Non-executive Director:

Liu Changchun (*Chairman*)

Independent non-executive Directors:

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

Registered office in the PRC:

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

*Head office/Principal Place of Business
in the PRC:*

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

*Principal Place of Business
in Hong Kong:*

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

27 April 2021

To the Shareholders,

Dear Sir/Madam,

**REPORT OF THE DIRECTORS FOR THE YEAR 2020,
REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR 2020,
ANNUAL REPORT FOR THE YEAR 2020,
AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2020,
PROFIT DISTRIBUTION PLAN FOR THE YEAR 2020,
REMUNERATION PLAN FOR DIRECTORS FOR THE YEAR 2021,
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GENERAL MANDATE TO ISSUE SHARES
AND
NOTICE OF 2020 ANNUAL GENERAL MEETING**

INTRODUCTION

The purposes of this circular are to give Shareholders the notice of the AGM and information on matters to be dealt with at the AGM, and to provide Shareholders with information in relation to, among others:

* For identification purpose only

LETTER FROM THE BOARD

- (1) Report of the Directors for the year 2020;
- (2) Report of the Supervisory Committee for the year 2020;
- (3) The annual report for the year 2020;
- (4) The audited financial statements of the Group as of, and for the year ended 31 December 2020;
- (5) Profit distribution plan for the year 2020;
- (6) Remuneration plan for Directors for the year 2021;
- (7) Remuneration plan for Supervisors for the year 2021;
- (8) Re-appointment of Da Hua Certified Public Accountants (special general partnership) as the Company's auditors for the year 2021;
- (9) Proposed election of new session of the Board of Directors;
- (10) Proposed election of new session of the Supervisory Committee;
- (11) Non-exempt Continuing Connected Transactions; and
- (12) General mandate to the Board for allotting, issuing and dealing with additional Domestic and/or H Shares during the relevant period.

ORDINARY RESOLUTIONS

Report of the Directors for the year 2020

An ordinary resolution will be proposed at the AGM to consider and approve the report of the Directors for the year 2020, the text of which is set out in the Company's annual report for the year 2020, which has been dispatched by the Company.

Report of the Supervisory Committee for the year 2020

An ordinary resolution will be proposed at the AGM to consider and approve the report of the Supervisory Committee for the year 2020, the text of which is set out in the Company's annual report for the year 2020, which has been dispatched by the Company.

The annual report for the year 2020

An ordinary resolution will be proposed at the AGM to consider and approve the Company's annual report for the year 2020, which has been dispatched by the Company.

LETTER FROM THE BOARD

The audited financial statements of the Group as of, and for the year ended 31 December 2020

An ordinary resolution will be proposed at the AGM to approve the Group's audited financial statements as of, and for the year ended 31 December 2020, the text of which is set out in the Company's annual report for the year 2020, which has been dispatched by the Company.

Profit distribution plan for the year 2020

According to the Articles of Association, an ordinary resolution will be proposed by the Board at the AGM to approve the profit distribution plan of the Company.

The Board resolved to propose to the Shareholders of the Company at the 2020 AGM to be held on 28 May 2021, for their consideration and approval of the payment of a final dividend of RMB0.103 per Share (tax inclusive) for the year ended 31 December 2020 (the "2020 Final Dividends") payable to the Shareholders, whose names are listed in the register of members of the Company on 9 June 2021, in an aggregate amount of approximately RMB48.07 million. The 2020 Final Dividends will be denominated and declared in RMB. Dividends on Domestic Shares will be paid in RMB and dividends on H Shares will be paid in Hong Kong dollars. The amounts distributed in Hong Kong dollar shall be calculated based on the average central parity rates of Hong Kong dollar to RMB as published by the PBOC in the calendar week before the date which the Company declares such dividends. Subject to the passing of the relevant resolution at the AGM, the 2020 Final Dividends are expected to be paid on or around 9 July 2021.

According to the Articles of Association, the Hong Kong dollars required for the Company to pay cash dividends and other payments to the individual H Shareholders shall be handled in accordance with the relevant foreign exchange administration regulations of the State.

The Company was not aware of any Shareholder who had waived or agreed to waive any dividend arrangement for the year ended 31 December 2020.

(1) Shareholders of Domestic Shares

The register of members of the Company in respect of the Domestic Shares will be closed from Thursday, 3 June 2021 to Wednesday, 9 June 2021 (both days inclusive). In order to qualify for receiving the dividend, Shareholders of Domestic Shares must lodge the transfer documents accompanied by relevant share certificates with the head office of the Company in the PRC at No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC no later than 4:30 p.m. on Wednesday, 2 June 2021.

According to the relevant regulations of the Individual Income Tax Law of the People's Republic of China, the Company will withhold an individual income tax at the rate of 20% for natural person Shareholders whose names appear on the register of members of the Company for Domestic Shares on 9 June 2021.

The dividend for Shareholders of Domestic Shares without affirmed ownership will be kept temporarily by the Company and distributed upon the confirmation of the ownership.

LETTER FROM THE BOARD

(2) *Shareholders of H Shares*

The register of members of the Company in respect of the H Shares will be closed from Thursday, 3 June 2021 to Wednesday, 9 June 2021 (both days inclusive). In order to qualify for receiving the dividend, Shareholders of H Shares must lodge the transfer documents accompanied by the relevant share certificates with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 2 June 2021.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Regulation on the Implementation of the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》), both implemented in 2008, the Company shall be obliged to withhold and pay 10% enterprise income tax when it distributes the 2020 Final Dividends to non-resident enterprise Shareholders of overseas H shares (including HKSCC Nominees Limited, other corporate nominees or trustees, and other entities or organisations) whose names appear on the Company's H share register of members on 9 June 2021.

According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No. 348) and relevant laws and regulations, if the individual H Shareholders who are Hong Kong or Macau residents and those whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual H Shareholders. If the individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of less than 10%, and judge by themselves that they meet the conditions for entitlement and are entitled to tax treaty treatment according to the announcement of the State Administration of Taxation (2019 No. 35), they are required to truthfully fill in the Information Reporting Form for Non-Resident Taxpayers Claiming Treaty Benefits (《非居民納稅人享受協定待遇信息報告表》), and submit it to the Company on their own initiative. Upon receipt of the information reporting form, if the information filled in by the shareholder is confirmed to be complete, the Company shall withhold the tax according to the provisions of domestic tax laws and faithfully submit the information reporting form to the competent tax authority as an annex for withholding declaration. If the shareholder fails to submit the information reporting form to the Company or reports incomplete information, the Company shall withhold the tax according to the provisions of domestic tax laws. If the individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H Shareholders.

LETTER FROM THE BOARD

The Company will determine the country of domicile of the individual H Shareholder based on the registered address as recorded in the H share register of members of the Company on 9 June 2021 (the “**Registered Address**”). If the country of domicile of an individual H Shareholder is not the same as the Registered Address or if the individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before Wednesday, 2 June 2021. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Shareholders may either personally attend or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H Shareholders or any disputes relating to the tax withholding and payment mechanism or arrangements.

Shareholders are recommended to consult their taxation advisors regarding their holding and disposing of H shares of the Company for the PRC, Hong Kong and other tax effects involved.

Remuneration plan for Directors for the year 2021

An ordinary resolution will be proposed at the AGM to authorise and approve the Board to determine the remuneration plan for the Directors for the year ending 31 December 2021 in accordance with the Company’s internal policies and relevant regulatory requirements.

Remuneration plan for Supervisors for the year 2021

An ordinary resolution will be proposed at the AGM to authorise and approve the Board to determine the remuneration plan for the Supervisors for the year ending 31 December 2021 in accordance with the Company’s internal policies and relevant regulatory requirements.

Re-appointment of Da Hua Certified Public Accountants (special general partnership) as the Company’s auditors for the year 2021

An ordinary resolution will be proposed at the AGM to consider and approve the re-appointment of Da Hua Certified Public Accountants (special general partnership) as the Company’s auditors for the year 2021 for a term until the conclusion of the next annual general meeting of the Company, and to authorize the Board to determine its remuneration.

LETTER FROM THE BOARD

Proposed election of new session of the Board of Directors

It has been nearly three years since the first session of the Board was established in May 2018. To ensure orderly and coherent coordination of the works of the Board, the Company will establish the second session of the Board.

In order to continuously improve corporate governance and adopt the best practices of corporate governance, and to ensure that the number of independent non-executive Directors represents at least one-third of the Board, it is proposed that the composition of the Board would remain unchanged. As such, the second session of the Board will consist of four executive Directors, one non-executive Director and three independent non-executive Directors, and the total number of Directors will remain at 8.

In accordance with the relevant provisions of the Company Law of the PRC and the Articles of Association, all Directors of the first session of the Board shall continue to perform their duties as Directors in accordance with the applicable laws and regulations until the election of the members of the second session of the Board becomes effective, the term of office of Directors shall be three years, renewable upon re-election and re-appointment.

The Board currently comprises eight Directors, namely Mr. Yang Zhongshi, Mr. Shi Mingjun, Mr. Xu Chungang and Mr. Li Yeji as executive Directors; Mr. Liu Changchun as non-executive Director and Chairman; and Mr. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man as independent non-executive Directors.

Pursuant to Article 107 of the Articles of Association, Directors shall be elected or replaced at the shareholders' general meetings to hold for a term of 3 years. Upon expiration of the term of office, a Director shall be eligible to offer himself for re-election, subject to the requirements of relevant law, regulation and listing rules of stock exchange of the place where the share of the Company was listed.

Pursuant to Article 108 of the Articles of Association, any person appointed by the Board to fill a temporary vacancy on or as an addition to the Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

At the forthcoming AGM, all existing Directors whose term of office expires will agree to retire and offer themselves for re-election at the AGM.

Each of the independent non-executive Directors who agrees to retire and be re-elected has also confirmed that he/she has satisfied the independence requirements as set out in Rule 3.13 of the Listing Rules. In considering the re-election of the independent non-executive Directors of the Board, the Board has considered the confirmation of independence from each independent non-executive Director and his/her extensive experience in accounting, finance, law and the industry. Their diverse education, skills, backgrounds, knowledge and professional experience enable them to provide valuable and relevant insights and to contribute to the diversity of the Board.

LETTER FROM THE BOARD

Each of the retiring and re-elected Directors are proposed to be appointed for a term of 3 years and will end on the conclusion of the second session of the Board. If the above retiring and re-elected Directors are appointed as Directors, they will each enter into a director's service agreement/letter of appointment with the Company upon their appointment. Subject to the provisions of the Articles of Association, the Directors shall be eligible for re-election upon expiry of their term of office (of which independent non-executive Directors shall not hold office for an accumulated period of more than six years).

The biographical details of the Directors who offer themselves for re-election at the AGM are set out in Appendix I to this circular pursuant to Rule 13.74 of the Listing Rules.

Proposed election of new session of the Supervisory Committee

As at the Latest Practicable Date, the Supervisory Committee currently comprised three Supervisors, namely Mr. Wang Fenghua (王風華, "**Mr. Wang**") and Ms. Zhang Wei (張維, "**Ms. Zhang**") being shareholder representatives Supervisors and Ms. Li Xiaoling (李曉玲, "**Ms. Li**") being employee representative Supervisor.

Reference is made to the announcement of the Company dated 26 March 2021. The term of office of the first session of the Supervisory Committee will expire upon the conclusion of the 2020 AGM of the Company.

In accordance with the relevant laws and regulations and the Articles of Association, and to ensure the orderly and coherent coordination of the works of the Supervisory Committee, the Supervisory Committee has proposed that the second session of the Supervisory Committee shall consist of three Supervisors, comprising two shareholder representative Supervisors and one employee representative Supervisor. The shareholder representative Supervisors shall be subject to approval by the Shareholders at the AGM and the employee representative Supervisor shall be appointed at an employee representative meeting of the Company.

Upon recommendation from the controlling shareholder of the Company, Changchun Heating Group, and nomination from the Supervisory Committee, it is proposed that Mr. Qiu Jianhua (仇建華) ("**Mr. Qiu**") be appointed as one of the shareholder representative Supervisors of the second session of the Supervisory Committee, subject to approval by the Shareholders at the AGM. Mr. Wang, being a shareholder representative Supervisor of the first session of the Supervisory Committee, will cease to be a Supervisor upon the approval of the appointment of Mr. Qiu as a Supervisor at the AGM. Upon the recommendation from Changchun State-owned Capital Investment and Operating Group Co., Ltd.* (長春市國有資本投資運營(集團)有限公司) ("**Changchun SCIO Group**") as a Shareholder and the nomination of the Supervisory Committee, it is proposed that Ms. Zhang be re-elected as a shareholder representative Supervisor of the second session of the Supervisory Committee, subject to approval by the Shareholders at the AGM. Ms. Li has been re-elected as the employee representative Supervisor of the second session of the Supervisory Committee at an employee representative meeting of the Company. The second session of the Supervisory Committee will comprise Mr. Qiu, Ms. Zhang and Ms. Li, subject to the Shareholders' approval as aforesaid.

LETTER FROM THE BOARD

In accordance with the relevant provisions of the Company Law of the PRC and the Articles of Association, all Supervisors of the first session of the Supervisory Committee shall continue to perform their duties as Supervisors in accordance with the applicable laws and regulations until the election of the members of the second session of the Supervisory Committee becomes effective, the term of office of Supervisors shall be three years, renewable upon re-election and re-appointment.

Mr. Wang has confirmed that he has no disagreement with the Board and the Supervisory Committee, and there is no other matter in respect of his proposed cessation to be a Supervisor that needs to be brought to the attention of the Shareholders.

The Company would like to express its gratitude to Mr. Wang for his valuable contribution to the Company during his tenure of service.

The biographical details of the Supervisors who offer themselves for election/re-election at the AGM are set out in Appendix I to this circular.

Non-exempt Continuing Connected Transactions

Reference is made to the Company's announcement dated 29 March 2021, among others, the 2021-2023 Construction Framework Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Changchun Heating Group (for itself and on behalf of its subsidiaries other than the Group) whereby the Group shall provide construction, maintenance and design services to the Controlling Shareholder Group in accordance with the requirements prescribed by the Controlling Shareholder Group and the Group's regulations.

LETTER FROM THE BOARD

1. *Principal Terms*

Date: 29 March 2021

Parties: (a) The Company (for itself and on behalf of its subsidiaries)
(b) Changchun Heating Group (for itself and on behalf of its subsidiaries other than the Group)

Subject matter: The Group shall provide construction, maintenance and design services to the Controlling Shareholder Group in accordance with the requirements prescribed by the Controlling Shareholder 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 the Controlling Shareholder Group in respect of each project.

Term: 1 January 2021 to 31 December 2023

Pricing terms and pricing policy: **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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

(a) *Service fees*

The Jilin Department of Housing and Urban-Rural Development* (吉林省住房和城鄉建設廳) (the “**HURD**”) formulates and updates the state-prescribed prices from time to time and in accordance with the Code for Valuation of Construction Engineering Quantity List* (《建設工程工程量清單計價規範》) (GB50500-2013) jointly promulgated by the Department of Housing and Urban-Rural Department of the PRC* (中華人民共和國住房和城鄉建設部) and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC* (中華人民共和國國家質量監督檢驗檢疫總局). The HURD prescribes a detailed list of state-prescribed prices for each type of construction services and maintenance services. Furthermore, services with different specifications (for example installation of pipelines of different specifications) are subject to different state-prescribed prices. These state-prescribed prices could be found at the Jilin Province Construction Project Cost Information Website* (吉林省建設工程造價信息網) (www.jlszjw.com) (the “**Construction Cost Information Website**”). Based on the information currently available to the Company (including the current applicable prevailing laws and regulations), all construction services and maintenance services to be provided by the Group to the Controlling Shareholder Group are subject to state-prescribed prices which the Group is bound to adopt.

(b) *Raw materials price*

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

LETTER FROM THE BOARD

For raw materials where there is neither state-prescribed price nor state-recommended price, the Group will make reference to:

- (i) the regional market price for that type of raw materials which could be found at the raw materials price website (廣材網) (www.gldjc.com) (the “**Raw Materials Price Website**”). The Raw Materials Price Website is recognised by market players within the construction industry as a reliable online pricing information platform which contains information as to the latest regional market prices and price trends for different types of construction materials in different cities; and
- (ii) where available, the recent price of similar or comparable raw materials offered by the Group in at least one recent fee quote provided to independent customers under normal commercial terms in the ordinary course of business.

Given the volatility in materials prices, the Company considers that in determining the price of raw materials, the latest regional market price quoted on the Raw Materials Price Website serves as a more up-to-date benchmark than recent fee quotes provided by the Group to independent customers.

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.

LETTER FROM THE BOARD

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

Preparation of fee quotes:

Under the Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標法》), bidding process is mandatory within the PRC with respect to projects such as large infrastructure and public utilities that concern public interests and security. The Implementation Regulations on Tendering and Bidding Law of the PRC* (《中華人民共和國招標投標實施條例》) and the Implementation Notice on Further Improvement of the “Regulations on Construction Projects that require Bidding” and the “Regulations on the Scope of Infrastructure and Public Utilities Projects that require Bidding”* (《關於進一步做好《必須招標的工程項目規定》和《必須招標的基礎設施和公用事業項目範圍規定》實施工作的通知》) provide specific requirements on issues relating to tendering and bidding. For example, construction projects amounting to RMB4 million or above, raw materials amounting to RMB2 million or above or design projects amounting to RMB1 million or above generally require bidding. Also, subject to the internal policies of the Controlling Shareholder Group, the Controlling Shareholder Group may require its suppliers to go through bidding processes.

In the event where contracts are required by relevant national and local laws and regulations, government policy or the requirements of the Controlling Shareholder Group that should be concluded after a tendering process, such contract should only be concluded after a tendering process.

LETTER FROM THE BOARD

For contracts that require a tendering process:

Each of the Group's subsidiaries has formulated and adopted its own internal bidding management policy to govern the preparation of bidding documents. These internal bidding management policies are substantially the same and provide a clear work allocation among the various departments within each subsidiary.

The Group's standard tender submission procedures generally involve the following:

- (a) ***Identifying bidding opportunities*** – the Group will regularly visit the website of construction bidding of Changchun and the website of tender and procurement of the PRC and various bidding websites to identify potential bidding opportunities (including bidding opportunities relating to the Controlling Shareholder Group's projects). Furthermore, the Controlling Shareholder Group may request the Group to prepare a tender for particular projects.
- (b) ***Assessment of the feasibility of the bidding opportunities and preparation of bidding documents*** – the Group will assess the feasibility of the bidding opportunities after taking into account the technical requirements, specific requirements of the Controlling Shareholder Group, complexity of the project, expected completion date, the Group's manpower, budget, cost structure and estimated profitability, etc. The Group will then formulate a tentative construction plan, conduct quantitative cost analysis and prepare the bidding documents in accordance with the Group's pricing policies, applicable laws and regulations and the Controlling Shareholder Group's requirements.
- (c) ***Final review of bidding documents and submission of tender documents*** – before submitting the final bidding document to the Controlling Shareholder Group, the tender team (the "**Tender Team**"), comprising business managers of various departments, will conduct a final review to ensure that the bidding document complies with the terms of the 2021-2023 Construction Framework Agreement, the Group's pricing policies, applicable laws and regulations and the Controlling Shareholder Group's requirements.

The Group follows the same standard tender submission procedures when preparing bidding documents to the Controlling Shareholder Group and independent customers.

LETTER FROM THE BOARD

For contracts that do not require a tendering process:

The Group receives request for quotations from its customers (including the Controlling Shareholder Group) from time to time. Upon receipt of the fee quote request, the Group will assess the feasibility of the business opportunities after taking into account the technical requirements, specific requirements of the Controlling Shareholder Group, complexity of the project, expected completion date, the Group's manpower, budget, cost structure and estimated profitability, etc. The Group will then formulate a tentative construction plan, conduct quantitative cost analysis and prepare the fee quote in accordance with the Group's pricing policies, applicable laws and regulations and the Controlling Shareholder Group's requirements.

Before submitting the fee quote to the Controlling Shareholder Group, the accounting department (核算部) of the relevant subsidiary will conduct a final review to ensure that the fee quotation complies with the terms of the 2021-2023 Construction Framework Agreement, the Group's pricing policies and the Controlling Shareholder Group's requirements.

The 2021-2023 Construction Framework Agreement shall become effective upon the Company obtaining the Independent Shareholders' approval on the 2021-2023 Construction Framework Agreement, the proposed annual caps and the transactions contemplated thereunder. The 2019-2021 Construction Framework Agreement shall become ineffective upon the 2021-2023 Construction Framework Agreement becoming effective.

2. *Historical transaction amounts and existing annual caps*

The table below sets out the historical transactions amounts and the existing annual caps for the transactions conducted pursuant to the 2019-2021 Construction Framework Agreement for the years ended 31 December 2019 and 2020:

Year ended	Annual cap <i>RMB'000</i>	Actual amount <i>RMB'000</i>
31 December 2019	38,800	37,500
31 December 2020	30,800	28,011

LETTER FROM THE BOARD

3. *Proposed annual caps*

The table below sets out the proposed annual cap for the transactions contemplated under the 2021-2023 Construction Framework Agreement for the three years ending 31 December 2023:

	For the year ending 31 December		
2021	2022	2023	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
50,863	50,863	50,863	

4. *Reasons for the proposed annual cap for the transactions contemplated under the 2021-2023 Construction Framework Agreement*

As disclosed in the Prospectus, the Directors then estimated that the maximum amount in respect of the transactions contemplated under the 2019-2021 Construction Framework Agreement will not exceed RMB21.8 million for the year ending 31 December 2021. However, it is expected that the Controlling Shareholder Group will require more construction, maintenance and design services from the Group and exceed RMB21.8 million for the year ending 31 December 2021 and beyond because of the following reasons:

- (a) previously, the Group mainly provided construction, maintenance and design services to Changchun Heating Group's subsidiaries which are located in Changchun and Tumen. However, it is expected that going forward, Changchun Heating Group's subsidiaries which are located within and outside Jilin Province will require construction, maintenance and design services from the Group including but not limited to providing construction, maintenance and design services for the transformation projects on distribution networks, heat exchange stations, boiler rooms, replacement of pipelines and valves, etc.; and
- (b) the Controlling Shareholder Group requires more maintenance services from the Group in respect of the coal-fired boilers and ancillary equipment which were transferred by Yatai Heating to Changchun Heating Group in 2020.

In arriving at the annual caps, the Directors 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 as quoted on the Construction Cost Information Website, the Raw Materials Price Website and the Design Cost Information Website; and
- (ii) the schedule of potential projects which are available for the Company to participate in and to conclude contract with the Controlling Shareholder Group for the year ending 31 December 2021 which indicates that there will be an increase in demand for construction, maintenance and design services from the Controlling Shareholder Group and that the total transaction amount under the 2021-2023 Construction Framework Agreement for the year ending 31 December 2021 will likely be approximately RMB50,863,000. Based on the information currently available to the Company, it is expected that the annual transaction amount for each of the years ending 31 December 2022 and 2023 will remain stable as compared with the year ending 31 December 2021.

LETTER FROM THE BOARD

Since 1 January 2021 and up to the Latest Practicable Date, the previously approved 2021 annual cap of RMB21.8 million has not been exceeded.

5. *Reasons for and benefits of entering into of the 2021-2023 Construction Framework Agreement*

The Controlling Shareholder Group requires certain construction services during its course of business. Having considered the Group's competitive strengths in heat supply construction services and the quality of the Group's services (including quality control and assurance services), the Controlling Shareholder 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 Changchun Heating Group's tendering process where applicable and the Group will continue to provide construction services to the Controlling Shareholder Group going forward.

The terms of the 2021-2023 Construction Framework Agreement was agreed by the parties thereto on arm's length negotiations.

Pursuant to the Listing Rules and the Articles of Association, Mr. Liu Changchun and Mr. Shi Mingjun are considered having direct or indirect material interest in the 2021-2023 Construction Framework Agreement by virtue of Mr. Liu Changchun being a director and chairman of the board of Changchun Heating Group and Mr. Shi Mingjun being a non-executive director of Datang Changre Jilin Heating Company Limited* (大唐長熱吉林熱力有限公司), an associate of Changchun Heating Group. Accordingly, Mr. Liu Changchun and Mr. Shi Mingjun have abstained from voting at the relevant Board meeting. Save as disclosed above, none of the Directors attending the Board meeting has a material interest in or is required to abstain from voting on the 2021-2023 Construction Framework Agreement, the proposed annual caps and the transactions contemplated thereunder.

Having considered the foregoing, the Directors (excluding Mr. Liu Changchun and Mr. Shi Mingjun who abstained from voting at the relevant Board meeting as required by the Listing Rules and the Articles of Association and the independent non-executive Directors whose view is set out in the section headed "Letter from the Independent Financial Adviser" in this circular) consider (i) the Non-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 the agreement (including the relevant proposed annual caps) governing the Non-exempt Continuing Connected Transactions to be fair and reasonable.

6. *Internal control measures adopted by the Group*

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

- (a) the Company has adopted the Connected Transactions Management Regulations (《關連交易管理規定》) which provides that all connected transactions (including the transactions contemplated under the 2021-2023 Construction Framework Agreement) 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 agreement;

LETTER FROM THE BOARD

- (b) *for contracts that require a tendering process* – prior to submitting the bidding documents to the Controlling Shareholder Group, the Tender Team will review the bidding documents to ensure that (i) the tender documents are prepared in accordance with applicable laws and regulations and the Controlling Shareholder 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 2021-2023 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 the Controlling Shareholder 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;
- (c) *for contracts that do not require a tendering process* – prior to providing the fee quotations to the Controlling Shareholder 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 2021-2023 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 the Controlling Shareholder 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 the Controlling Shareholder 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;

LETTER FROM THE BOARD

- (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 Non-exempt Continuing Connected Transactions will not be exceeded;
- (e) the Company's planning and management department shall prepare reports containing total transaction amount under the 2021-2023 Construction Framework Agreement 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 the 2021-2023 Construction Framework Agreement 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 2021-2023 Construction Framework Agreement. The Company's internal control audit department shall report on its findings relating to the Non-exempt Continuing Connected Transactions to the Company's management on a quarterly basis;
- (g) the Company's external auditors will review the Non-exempt Continuing Connected Transactions annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant caps have been exceeded; and
- (h) the independent non-executive Directors will review the Non-exempt Continuing Connected Transactions annually to check and confirm whether such Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions were conducted in accordance with the pricing policies set out in such relevant agreements.

LETTER FROM THE BOARD

7. *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) *The Controlling Shareholder Group*

Changchun Heating Group is a state-owned company established on 28 April 1998 in Changchun City, the PRC, and is wholly-owned by Changchun SASAC.

The Controlling Shareholder Group is mainly engaged in property management, water supply, pipeline manufacturing, sale of industrial steam and financial investments, while also being engaged in certain businesses relating to heat supply and heat services.

8. *Listing Rules implications*

Changchun Heating Group is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company and thus a connected person of the Company. As such, the Non-exempt Continuing Connected Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Non-exempt Continuing Connected Transactions are, on an annual basis, over 5%, the Non-exempt Continuing Connected Transactions are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

9. *General*

An ordinary resolution will be proposed at the AGM for the Independent Shareholders to consider, and if thought fit, approve, among others, the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder.

The Independent Board Committee has been established to advise the Independent Shareholders as to the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder. Your attention is drawn to the letter from the Independent Board Committee containing its recommendation as set out on pages 29 to 30 of this circular.

LETTER FROM THE BOARD

The Independent Financial Adviser, Giraffe Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder. Your attention is drawn to the letter from the Independent Financial Adviser containing its advice as set out on pages 31 to 52 of this circular.

Shareholders who have a material interest are required to abstain from voting in respect of the resolutions in respect of the 2021-2023 Construction Framework Agreement, the proposed annual caps and the transactions contemplated thereunder at the AGM. As at the Latest Practicable Date, Changchun Heating Group 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 resolution to be proposed at the AGM in respect of the 2021-2023 Construction Framework Agreement, the 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 as at the Latest Practicable Date, no Shareholders will be required to abstain from voting on the relevant resolution approving the 2021-2023 Construction Framework Agreement, the proposed annual caps and the transactions contemplated thereunder at the AGM.

SPECIAL RESOLUTION

General mandate to the Board to issue additional Domestic Shares and/or H Shares

A special resolution will be proposed at the AGM that the Board be granted the Issue Mandate to exercise the power of the Company to allot, issue or otherwise deal with new Shares (apart from the issue of Shares by conversion of the surplus reserve into the share capital in accordance with the PRC Company Law and the Articles of Association) not more than 20% of the respective number of Domestic Shares and/or H Shares in issue as of the date of passing this special resolution, and to authorize the Board to make amendments to the Articles of Association as it thinks fit so as to reflect the new share capital structure upon the allotment or issue of additional shares pursuant to such mandate.

The numbers of Domestic Shares and H Shares in issue of the Company as of the Latest Practicable Date were 350,000,000 Domestic Shares and 116,700,000 H Shares, respectively. Assuming that the number of Shares remains unchanged as at the date of passing this special resolution, the Board will be allowed under the Issue Mandate to issue a maximum of 70,000,000 Domestic Shares and 23,340,000 H Shares, subject to the passing of the special resolution approving the grant of the Issue Mandate to the Board. Meanwhile, the Board is authorized to make necessary amendments to the Articles of Association so as to reflect the new share capital structure upon the allotment or issue of additional Shares pursuant to such mandate.

The Directors believe that it is in the best interests of the Company and the Shareholders to grant the Issue Mandate to the Board to issue new Shares. Whilst it is not possible to anticipate in advance any specific circumstances in which the Board might think it appropriate to issue Shares, the ability to do so would give the Directors the flexibility to capture the opportunity if it so arises.

LETTER FROM THE BOARD

The Issue Mandate would expire on the earlier of: (a) the conclusion of the next annual general meeting following the passing of this special resolution; (b) 12 months from the date of passing of this special resolution; or (c) the date on which the authorization set out in this special resolution are revoked or amended by a special resolution in a general meeting of the Company.

THE AGM

The Company will convene the AGM at 9 a.m. on Friday, 28 May 2021 at the Conference Room 907, Chuncheng Heating, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, the PRC to consider and, if thought fit, to pass resolutions in respect of the matters set out in the notice of the AGM. A form of proxy have been dispatched to the Shareholders in accordance with the Listing Rules on 27 April 2021. The notice of the AGM is set out on pages 69 to 72 of this circular.

Whether or not you intend to attend and/or vote at the AGM, you are requested to complete and return the form of proxy in accordance with the instruction printed thereon.

If you intend to appoint a proxy to attend the AGM, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. For H Shareholders, the form of proxy should be returned to the H Share Registrar, Computershare Hong Kong Investor Services Limited, and for Domestic Shareholders, the form of proxy should be returned to the office of the Board at the head office of the Company in the PRC in person or by post as soon as possible and in any event not less than 24 hours before the time appointed for holding the AGM or any adjourned meeting thereof.

Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the AGM should you so wish.

Precautionary Measures for the AGM

Taking into account of the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the AGM against the epidemic to protect the Shareholders from the risk of infection:

- (i) Compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue;
- (ii) Every Shareholder or proxy is required to wear surgical face mask throughout the meeting;
and
- (iii) No refreshment will be served.

Furthermore, the Company wishes to advise the Shareholders, particularly Shareholders who are subject to quarantine in relation to novel coronavirus pneumonia, that they may appoint any person or the chairman of the AGM as a proxy to vote on the resolution, instead of attending the AGM in person.

LETTER FROM THE BOARD

Voting by poll at the AGM

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. The chairman of the meeting will therefore demand a poll for every resolution put to the vote of the AGM pursuant to Article 78 of the original Articles of Association.

On a poll, every Shareholder present in person or by proxy (or being a corporation by its duly authorized representative) shall have one vote for each Share registered in his/her name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she has in the same manner.

Closure of register of members

In order to ascertain the entitlements of the Shareholders to attend the AGM, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive), during which period no transfer of Shares of the Company will be effected.

To be eligible to attend and vote at the AGM, all transfer documents must be lodged with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the head office of the Company in the PRC at No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC (for holders of Domestic Shares) no later than 4:30 p.m. on Monday, 24 May 2021.

In order to ascertain the entitlements of the Shareholders to receive the proposed 2020 Final Dividends, the register of members of the Company will be closed from Thursday, 3 June 2021 to Wednesday, 9 June 2021 (both days inclusive), during which period no transfer of shares of the Company will be effected.

To be eligible to receive the proposed final dividend, all transfer documents must be lodged with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the head office of the Company in the PRC at No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC (for holders of Domestic Shares) no later than 4:30 p.m. on Wednesday, 2 June 2021.

LETTER FROM THE BOARD

RECOMMENDATION

The Board (including independent non-executive Directors) considers that each of the ordinary resolutions number (1) to (10) and special resolution to be proposed at the AGM is in the interests of the Company and the Shareholders as a whole, and accordingly, recommends the Shareholders to vote in favour of ordinary resolutions number (1) to (10) and the special resolution to be proposed at the AGM.

The Directors (excluding Mr. Liu Changchun and Mr. Shi Mingjun who are required under the Listing Rules to abstain from voting at the relevant Board meeting and the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” in this circular) recommend the Independent Shareholders to vote in favour of the ordinary resolution number (11) to be proposed at the AGM.

RESPONSIBILITY STATEMENT

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

Yours faithfully
On behalf of the Board of
Jilin Province Chuncheng Heating Company Limited*
LIU Changchun
Chairman

Jilin, the PRC, 27 April 2021

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

27 April 2021

To the Independent Shareholders

Dear Sir or Madam

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to its Shareholders dated 27 April 2021 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Details of the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder are set out in the letter from the Board contained in the Circular. Giraffe Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the letter from the Independent Financial Adviser contained in the Circular.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder and taking into account the information contained in the Circular and the advice of the Independent Financial Adviser, we are of the opinion that the transactions contemplated under the 2021-2023 Construction Framework Agreement are in the ordinary and usual course of business of the Group, and that the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be put forward at the AGM to approve the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder.

Yours faithfully

For and on behalf of
the Independent Board Committee

Mr. Wang Yuguo
*Independent Non-executive
Director*

Mr. Fu Yachen
*Independent Non-executive
Director*

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



Giraffe Capital Limited

27 April 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF THE 2021-2023 CONSTRUCTION FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular issued by the Company dated 27 April 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As it is expected that the Controlling Shareholder Group will require more construction, maintenance and design services from the Group and exceed RMB21.8 million for the year ending 31 December 2021, which is the previously approved annual cap for 2021 in respect of the transactions contemplated under the 2019-2021 Construction Framework Agreement, the Company (for itself and on behalf of its subsidiaries) and the Changchun Heating Group (for itself and on behalf of its subsidiaries other than the Group) entered into the 2021-2023 Construction Framework Agreement on 29 March 2021, whereby the Group shall provide construction, maintenance and design services to the Controlling Shareholder Group in accordance with the requirements prescribed by the Controlling Shareholder Group’s and the Group’s regulations.

* For identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that Changchun Heating Group is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company as at the date of the 2021-2023 Construction Framework Agreement, Changchun Heating Group is a connected person of the Company, the transactions contemplated under the 2021-2023 Construction Framework Agreement will constitute the Non-exempt Continuing Connected Transactions for the Company 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 in respect of the transactions contemplated under the 2021-2023 Construction Framework Agreement are, on an annual basis, over 5%, the transactions contemplated under the 2021-2023 Construction Framework Agreement are subject to the reporting, announcement and independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man, are formed to advise the Independent Shareholders in relation to the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we have acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in respect of the major and connected transaction in relation to acquisition of 100% equity interests in Changchun Yatai Heating Company Limited and the continuing connected transactions as detailed in circular of the Company dated 25 November 2020. Notwithstanding the above engagement, as at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 13.84 of the Listing Rules, and accordingly, are qualified to act as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among others, (i) the announcement of the Company dated 29 March 2021 in relation to the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder; (ii) the terms of the 2021-2023 Construction Framework Agreement; (iii) the annual results announcement of the Company for the year ended 31 December 2020 (“**FY2020**”)(the “**Annual Results 2020**”), the annual report of the Company for the year ended 31 December 2019 (“**FY2019**”)(the “**Annual Report 2019**”), the interim report of the Company for the six months ended 30 June 2020 (the “**Interim Report 2020**”) and the prospectus of the Company dated 27 September 2019 (the “**Prospectus**”); (iv) the information and facts supplied by the Group; (v) the opinions expressed by and the representations of the Directors and management of the Group; and (vi) certain relevant public information, and have assumed that all such information and facts provided and any opinions and representations made to us are true, accurate and complete in all material aspects at the time they were made and as up to the date of the AGM.

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the 2021-2023 Construction Framework Agreement (together with the proposed annual caps) and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

1.1 Business of the Group

As disclosed in the Letter from the Board, the 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.

According to the Annual Results 2020, the scale of the Group's heat supply business and revenue from heat supply business increased significantly due to the completion of Xixing Energy Acquisition and Yatai Heating Acquisition. As at 31 December 2020, the Group's heat service area was approximately 60.2 million sq.m., representing an increase of approximately 52.4% from approximately 39.5 million sq.m. as at 31 December 2019. As at 31 December 2020, the Group had 505,788 heat supply users, representing an increase of approximately 57.9% from 320,333 users as at 31 December 2019.

According to the Annual Results 2020, the Group's construction, maintenance and design services cover the peripheral services business of the heat supply industry chain. The main services include engineering construction, engineering maintenance, design services and electrical instrument maintenance. These services mainly cover northeast China.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.2 Financial performance of the Group

Set out below is a summary of the Group's operating results as extracted from the Annual Results 2020:

	For the year ended	
	31 December	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Revenue		
<i>Heat supply segment</i>		
– Provision and distribution of heat	894,540	1,347,567
– Pipeline connection fee	54,233	65,560
– Heat transmission	11,951	14,705
	960,724	1,427,832
<i>Construction, maintenance and design services segment</i>		
– Engineering construction	366,412	247,253
– Engineering maintenance	220,774	192,575
– Design service	9,743	17,781
– Others ^{<i>Note 1</i>}	3,762	11,507
	600,691	469,117
	1,561,415	1,896,949
Gross profit	287,169	301,470
<i>Gross profit margin</i>	<i>18.4%</i>	<i>15.9%</i>
Net profit attributable to owners of the parent company	133,971	165,217

Note 1: Others included rental services and sales of goods

For the years ended 31 December 2019 and 2020, the Group generated revenue from two operating segments, being (i) heat supply services; and (ii) construction, maintenance and design services. Revenue generated from heat supply segment includes fees for provision and distribution of heat, entrance fees charged for connections to the Group's heat distribution network and heat transmission fees charged to other heat service providers. Revenue generated from construction, maintenance and design services includes engineering construction, engineering maintenance, design services and electrical instrument maintenance and repair.

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Comparison of financial performance between the year ended 31 December 2019 and 2020

Based on the Annual Results 2020, the Group's revenue increased from approximately RMB1,561.4 million in FY2019 to approximately RMB1,896.9 million in FY2020, which was the combined effect of the increase in revenue generated from the heat supply business and the decrease in revenue generated from the construction, maintenance and design services business. The increase in revenue generated from the heat supply business was primarily due to (i) the completion of Xixing Energy Acquisition and Yatai Heating Acquisition during the year; and (ii) the increase in the Group's heat service area from approximately 39.5 million sq.m. as at 31 December 2019 to approximately 60.2 million sq.m. as at 31 December 2020. The decrease in revenue generated from the construction, maintenance and design services business was mainly attributable to (i) the decrease in revenue generated from engineering construction mainly due to the completion of certain projects in FY2020; and (ii) the decrease in revenue generated from engineering maintenance mainly due to the decrease in external engineering work undertaken this year.

The Group's gross profit increased from approximately RMB287.2 million in FY2019 to approximately RMB301.5 million in FY2020, which was in line with the increase in the Group's revenue. The Group's gross profit margin decreased from approximately 18.4% in FY2019 to approximately 15.9% in FY2020, which was mainly due to the increase in cost of sales for heat supply resulting from the increase in heat procurement cost and labor cost.

The Group's net profit attributable to owners of the parent company increased from approximately RMB134.0 million in FY2019 to approximately RMB165.2 million in FY2020, mainly due to the increase in gross profit contributed by the Group's heating supply business.

1.3 Business outlook

According to the National Bureau of Statistics of China (the "NBS") and the Statistic Bureau of Jilin* (吉林省統計局), the urbanization rates of the PRC and Jilin Province increased from approximately 54.8% and 54.8% in 2014 to over approximately 60% and 58% in 2020, respectively. The number of urban residents of Jilin Province increased from approximately 15.1 million in 2014 to approximately 15.7 million in 2019. The rising urbanization rates and number of urban residents in the PRC and Jilin Province lead to increasing demand for heating service and related urban municipal infrastructure, which is the fundamental driver of the development of heat supply and related construction, maintenance and design industry.

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Pursuant to the National 13th Five-Year Plan for Urban Municipal Infrastructure Construction* (《全國城市市政基礎設施規劃建設“十三五”規劃》) published in 2017 by National Development and Reform Commission* (國家發展和改革委員會) and Ministry of Housing and Urban-Rural Development* (住房和城鄉建設部), the PRC government proposed to improve the heating quality and the municipal infrastructure. These favorable policies are expected to stimulate the demand for the high-quality heating infrastructure and drive the growth of the heat supply industry. According to the NBS, the length of heating pipelines construction and area of centralised heating of Jilin Province of the PRC has increased from approximately 17,309 k.m. to 29,971 k.m. and from approximately 450 million sq.m. to 646 million sq.m., respectively from 2014 to 2019.

According to the Three-year Action Plan for Winning the Blue Sky Defense War* (《打贏藍天保衛戰三年行動計劃》) issued in 2018 by the State Council of the PRC, the PRC government calls for, among others, green development, rectifying the energy structure to build a clean, efficient energy system and ensuring that the people in the northern regions have safe heating system for the winter, which also facilitate the speeding up of heating pipelines construction and improving the municipal heating infrastructure. In addition, the Clean Heating Plan for Winter in Northern China (2017-2021)* (《北方地區冬季清潔取暖規劃(2017-2021)》) issued by the PRC government targeted to raise the clean heating rate in Northern China to 70% by 2021. The PRC government emphasized on accelerating of the clean reform of coal-fired heating facilities, promoting the use of renewable energy for heating, eliminating the burning of bulk coal and speeding up the renovation of old heating pipelines.

In addition, according to the Administrative Measures for Cogeneration* (熱電聯產管理辦法) jointly announced by the National Development and Reform Commission* (國家發展和改革委員會), the National Energy Administration* (國家能源局), Ministry of Finance of the PRC* (中華人民共和國財政部), Ministry of Environmental Protection of the PRC* (中華人民共和國環境保護部) and Ministry of Housing and Urban-Rural Development* (住房和城鄉建設部) in March 2016, it is targeted to achieve (i) 60% of heat energy supplied by cogeneration, which is the simultaneous production of electricity and heat that makes power and heat supply systems more energy-efficient, among middle- to large- cities in Northern China; and (ii) a full coverage of heat energy supplied by cogeneration among all cities with population of above 200,000 in Northern China. For heat generation, especially in the Northern China, Cogeneration is expected to gradually replace coal-fired boiler and become the future trend in the heat supply industry and related construction, maintenance and design services industry, which cover the peripheral services business of the heat supply industry chain.

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According to the Interim Report 2020, in the face of the opportunities and challenges arising from the country's policies on heat supply and related construction, maintenance and design services industry, the Group will further enhance its independent research and development capabilities on the basis of improving the smart heating network platform and heating network interconnection and intercommunication, increase and extend the channels for promoting the construction, maintenance and design business segment, and expand the revenue-generating capability of this segment in a multi-dimensional manner. The Group will further enhance the technology and service level of the construction, maintenance and design business. On the basis of the existing businesses, the Group will enhance and increase the professional qualifications, establish a sound and comprehensive mechanism for the commercialization of the scientific and technological achievements, and promote industrial upgrading with existing intellectual property rights and patented technologies, so as to achieve the economic development of the Group and safeguard people's livelihood with heat supply. Meanwhile, the Group will also focus on the advancement and completion of existing projects, optimize business processes, improve service quality and build their own brand reputation, laying a solid foundation for the successful completion of various tasks throughout the year and promote quality development.

2. Information of the Controlling Shareholder Group

As disclosed in the Letter from the Board, Changchun Heating Group is a state-owned company established on 28 April 1998 in Changchun City, the PRC, and is wholly-owned by Changchun SASAC. Changchun Heating Group is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company.

The Controlling Shareholder Group is mainly engaged in property management, water supply, pipeline manufacturing, sale of industrial steam and financial investments, while also being engaged in certain businesses relating to heat supply and heat services.

3. Principal terms of the 2021-2023 Construction Framework Agreement

Details of the 2021-2023 Construction Framework Agreement are set out in the Letter from the Board. The principal terms and conditions of the 2021-2023 Construction Framework Agreement are as follows:

3.1 Date

29 March 2021

3.2 Parties

- (i) The Company (for itself and on behalf of its subsidiaries)
- (ii) Changchun Heating Group (for itself and on behalf of its subsidiaries other than the Group)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.3 Subject matter

The Group shall provide construction, maintenance and design services to the Controlling Shareholder Group in accordance with the requirements prescribed by the Controlling Shareholder Group and the Group's regulations.

The services will include:

- (i) engineering construction services which include heating facility construction, pipeline installation, boiler installation, heat exchange station installation, heat facility maintenance and construction management;
- (ii) engineering maintenance services such as carrying out heating facility cleaning, installation, repair and maintenance as well as replacement services;
- (iii) 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
- (iv) 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 the Controlling Shareholder Group in respect of each project.

3.4 Term

1 January 2021 to 31 December 2023

3.5 Pricing terms and pricing policy

Construction services and maintenance services

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

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

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

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.

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Design services

According to the Letter from the Board, 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.

For contracts that require a tendering process

Each of the Group's subsidiaries has formulated and adopted its own internal bidding management policy to govern the preparation of bidding documents. These internal bidding management policies are substantially the same and provide a clear work allocation among the various departments within each subsidiary. The Group's standard tender submission procedures generally involve (a) identifying bidding opportunities; (b) assessment of the feasibility of the bidding opportunities and preparation of bidding documents; and (c) final review of bidding documents and submission of tender documents. The Group follows the same standard tender submission procedures when preparing bidding documents to the Controlling Shareholder Group and independent customers.

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For contracts that do not require a tendering process

The Group receives request for quotations from its customers (including the Controlling Shareholder Group) from time to time. Upon receipt of the fee quote request, the Group will assess the feasibility of the business opportunities after taking into account the technical requirements, specific requirements of the Controlling Shareholder Group, complexity of the project, expected completion date, the Group's manpower, budget, cost structure and estimated profitability, etc. The Group will then formulate a tentative construction plan, conduct quantitative cost analysis and prepare the fee quote in accordance with the Group's pricing policies, applicable laws and regulations and the Controlling Shareholder Group's requirements.

Before submitting the fee quote to the Controlling Shareholder Group, the accounting department (核算部) of the relevant subsidiary will conduct a final review to ensure that the fee quotation complies with the terms of the 2021-2023 Construction Framework Agreement, the Group's pricing policies and the Controlling Shareholder Group's requirements.

We have reviewed and compared samples of historical transaction records entered into by the Group with the Controlling Shareholder Group and independent customers on providing comparable types of services. We noted the terms are comparable with each other and prices are comparable and no less favourable than those offered by the Group to independent customers for the same periods.

In assessing whether the pricing offered by the Group to the Controlling Shareholder Group is fair and reasonable and no less favourable than those offered by the Group to independent customers, we have reviewed eight and five historical transactions for the year ended 31 December 2019 and 2020, respectively, covering the largest projects carried out by respective subsidiaries of the Company which were engaged in the provision of engineering construction services, engineering maintenance services, design services and electrical and instrument maintenance and repair services, respectively. Among the 13 historical transactions that we have received, there were eight historical transactions in the provision of engineering construction services, one historical transaction in the engineering maintenance services, two historical transactions in the design services and two historical transactions in the electrical and instrument maintenance and repair services.

The gross profit margin recognised for each sample selected was compared against the gross profit margin recognised for comparable type of services available to independent customer. We noted that for the transactions under the 2019-2021 Construction Framework Agreement, the gross profit margins of the selected historical transactions in the provision of engineering construction services ranged from approximately 6.5% to 17.5%, in the provision of engineering maintenance was approximately 3.1%, in the provision of design services ranged from approximately 18.7% to 33.0%, and in the provision of electrical and instrument maintenance and repair services ranged from approximately 20.8% to 21.3%, which were no less favourable than those recognised for same or comparable types of services available to independent customers, which based on sample selected ranged from approximately 5.0% to 13.7%, was approximately 2.9%, ranged from approximately 11.3% to 26.0% and ranged from approximately 16.5% to 20.7%, respectively.

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We have also reviewed the internal approval documents of the abovementioned historical transactions for each of the years ended 31 December 2019 and 2020 for approving the respective contracts before they were concluded and we consider effective Company's internal control is in place to ensure that the terms of individuals transactions are conducted with in accordance with pricing policy under the 2019-2021 Construction Framework Agreement.

Since the historical transactions we have reviewed covered approximately 74.3% and 78.8% of the revenue from services provided by the Group to the Controlling Shareholder Group for the years ended 31 December 2019 and 2020, respectively, we considered we have reviewed sufficient samples of historical transactions in arriving at our conclusion.

4. Reasons for and benefits of entering into the 2021-2023 Construction Framework Agreement

According to the Letter from the Board, the Controlling Shareholder Group requires certain construction services during its course of business. Having considered the Group's competitive strengths in heat supply construction services and the quality of the Group's services (including quality control and assurance services), the Controlling Shareholder 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 Changchun Heating Group's tendering process where applicable and the Group will continue to provide construction services to the Controlling Shareholder Group going forward. The terms of the 2021-2023 Construction Framework Agreement was agreed by the parties thereto on arm's length negotiations.

Having considered (i) the services to be provided to the Controlling Shareholder Group are principal business of the Group; (ii) the flexibility for the Group to choose whether or not to participate in Changchun Heating Group's tendering process or to provide the service; (iii) the service fee offered to the Controlling Shareholder Group is not lower than those offered or quoted to independent customers for similar construction services; (iv) the 2021-2023 Construction Framework Agreement will enable the Company to continue its capitalization on such relationship and to maintain a stable income stream with the Controlling Shareholder Group; and (v) the entering into of the 2021-2023 Construction Framework Agreement shall not restrict the Group's choice to offer the services to any other customers, we concur with the Directors' view that the terms of the 2021-2023 Construction Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. The proposed annual caps under the 2021-2023 Construction Framework Agreement

As disclosed in the Letter from the Board and the Prospectus, the Directors then estimated that the maximum amount in respect of the transactions contemplated under the 2019-2021 Construction Framework Agreement will not exceed RMB21.8 million for the year ending 31 December 2021. However, it is expected that the Controlling Shareholder Group will require more construction, maintenance and design services from the Group and exceed RMB21.8 million for the year ending 31 December 2021 and beyond because (i) previously, the Group mainly provided construction, maintenance and design services to Changchun Heating Group's subsidiaries which are located in Changchun and Tumen. However, it is expected that going forward, Changchun Heating Group's subsidiaries which are

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located within and outside Jilin Province will require construction, maintenance and design services from the Group including but not limited to providing construction, maintenance and design services for the transformation projects on distribution networks, heat exchange stations, boiler rooms, replacement of pipelines and valves, etc.; and (ii) the Controlling Shareholder Group requires more maintenance services from the Group in respect of the coal-fired boilers and ancillary equipment which were transferred by Yatai Heating to Changchun Heating Group in 2020.

In arriving at the annual caps, the Directors considered factors including the historical transaction amounts, relevant authorities' pricing guidelines, the expected construction and installation costs, design costs, the material costs and the expected increase in demand for construction, maintenance and design services from the Controlling Shareholder Group as discussed above.

The historical transaction amounts and the existing annual caps for the transactions conducted pursuant to the 2019-2021 Construction Framework Agreement for the years ended 31 December 2019 and 2020 are set out as below:

	For the year ended	
	31 December	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
2019-2021 Construction Framework Agreement		
Historical transaction amounts	37,500	28,011
Annual cap	38,800	30,800
Utilisation rates (%)	96.6%	90.9%

The proposed annual caps for transactions contemplated under the 2021-2023 Construction Framework Agreement for three years ending 31 December 2023 are set out as below:

	For the year ending 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2021-2023 Construction Framework Agreement			
Proposed annual caps	50,863	50,863	50,863

As disclosed in the Letter from the Board, the proposed annual caps under the 2021-2023 Construction Framework Agreement for each of the three years ending 31 December 2023 shall not exceed approximately RMB50.9 million, RMB50.9 million and RMB50.9 million, respectively.

In assessing the fairness and reasonableness of the proposed annual caps under the 2021-2023 Construction Framework Agreement, we have discussed with the Directors regarding the principal assumptions and basis adopted for determining the proposed annual caps. We understood that the Company has considered the following factors:

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Historical transaction amounts

As shown in the above tables, the annual caps were utilised by the Group as to approximately 96.6% and 90.9%, respectively for the years ended 31 December 2019 and 2020, which has nearly reached the full utilisation for the years ended 31 December 2019 and 2020, implying that the Company had taken a prudent approach in estimating the transaction amounts and the existing annual caps in the past.

Anticipated growing demand of construction, maintenance and design services by the Controlling Shareholder Group

According to the Letter from the Board, the Group shall provide construction, maintenance and design services to the Controlling Shareholder Group and such services will include engineering construction, engineering maintenance, design services and electrical and instrument maintenance and repair. As advised by the management of the Company, the engineer construction services to be provided to the Controlling Shareholder Group will include heating facility construction, pipeline installation, boiler installation, heat exchange station installation, heat facility maintenance and construction management while engineering maintenance services to be provided will include heating facility cleaning, installation, repair and maintenance, and replacement.

As such, the demand for the construction, maintenance and design services by the Controlling Shareholder Group is driven by, among others, the scale of facilities and operation of the Controlling Shareholder Group.

We have also conducted the independent search on the website of the State-owned Assets Supervision and Administration Commission of Changchun Municipal Government* (“長春市人民政府國有資產監督管理委員會”) and noted that the number of heat boiler of Changchun Heating Group increased from 48 to 144 from 2018 to 2020 and the length of pipelines network of Changchun Heating Group increased from 2,255 k.m. to 2,982 k.m. from 2018 to 2020, representing a CAGR of approximately 15.0%.

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

Available project for the year ending 31 December 2021

In assessing the reasonableness of the annual caps, we have obtained from the management of the Company a schedule of potential projects which includes 25 projects which are available for the Company to participate in and to conclude contract with the Controlling Shareholder Group for the year ending 31 December 2021 (the “**Schedule**”). The abovementioned projects are expected to complete in 2021 with expected project size ranging from approximately RMB0.1 million to approximately RMB7.5 million and the total contract value amounted to approximately RMB50.9 million, of which (i) approximately RMB14.2 million relates to construction and maintenance services in respect of the coal-fired boilers and ancillary equipment which were transferred by Yatai Heating to Changchun Heating

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Group in 2020; (ii) approximately RMB12.7 million relates to engineering maintenance services and electrical and instrument maintenance and repair services in respect of existing heating facilities of Changchun Heating Group; and (iii) approximately RMB24.0 million relates to engineering construction services in respect of heating facilities.

We understood from the management of the Company that subsequent to the transfer of coal-fired boilers and ancillary equipment from Yatai Heating to Changchun Heating Group, it is expected that the Group would start providing more construction and maintenance services in respect of such heating facilities, which were previously provided by other suppliers, from 2021.

We further understood from the management of the Company that the Group has been providing engineering maintenance services and electrical and instrument maintenance and repair services to existing heating facilities of Changchun Heating Group regularly. For such potential services included in the Schedule, we have obtained samples of the historical implementation contracts of same and/or similar services provided by the Group previously to respective heating facilities and noted that regular maintenance or repair services were provided by the Group in the years ended 31 December 2019 and 2020. Further, we noted that in determining the estimated transaction amounts for the year ending 31 December 2021 of such services, the management of the Company has taken into account (i) the historical transaction amounts of the same and/or similar services provided; (ii) the current status of the subject heating facilities; (iii) the scope of services to be provided; and (iv) relevant authorities' pricing guidelines and the most recent state-prescribed price, state-recommended price and regional market price for each type of services or materials.

For engineering construction services in respect of heating facilities, we understood from the management of the Company and as discussed above, the demand for the construction, maintenance and design services from the Controlling Shareholder Group is expected to grow along with the increase in the Controlling Shareholder Group's scale of operation. Based on the Schedule, out of the total amount of approximately RMB24.0 million in relation to engineering construction services, approximately 63.3% is attributable to construction services on heating facilities located in the Tumen City.

As our due diligence work, we have performed public search and noted that the Controlling Shareholder Group started providing heat supply services to certain regions in the Tumen City since 2020. We further compared the locations of potential projects in the Tumen City set out in the Schedule and noted that the locations match with the Controlling Shareholder Group's new heat supply regions in the Tumen City. It is considered that the demand for construction, maintenance and design services from the Controlling Shareholder Group in the Tumen City is justifiable.

As discussed with the management of the Company, the Company has also taken into account the relevant authorities pricing guidelines, the expected construction and installation costs and the expected material costs while preparing the Schedule and in determining the annual caps. We have reviewed, on a sampling basis, the internal project assessment records of the projects as shown on the Schedule. Such internal project assessment records include, among others, the quotation formulation working, which shows the estimation of the costs of projects such as the service fee and materials prices, which was prepared in accordance with the pricing policies of the Group. Further, we have reviewed Measures of Jilin Province on Management of Construction Engineering Cost* (《吉林省建設工程造價管理辦法》)

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published by the Jilin Provincial Government and noted the Group shall make reference to (i) the Jilin Province Construction Project Cost Information Website* (吉林省建設工程造價信息網) (www.jlszjw.com) (the “**Construction Cost Information Website**”) for determining the price charged for construction and maintenance services; (ii) the raw materials price website* (廣材網) (www.gldjc.com) (the “**Raw Materials Price Website**”) for determining the price of raw material charged; and (iii) the website of the CECA (www.chinaeda.org.cn) (the “**Design Cost Information Website**”) when determining the price charged for design services. We have visited the Construction Cost Information Website and noted the webpage contains information related to the state-prescribed price, state-recommended price and regional market price for the type of services or materials that the Group provide construction services and maintenance services to the Controlling Shareholder Group. We have visited the Raw Materials Price Website and noted it is an online pricing information platform which contains information as to the latest regional market prices for construction materials that the Group provide to the Controlling Shareholder Group. We have also visited the Design Cost Information Website and noted it contains information related to the state-prescribed price, state-recommended price and regional market price for the type of design services the Group provide to the Controlling Shareholder Group.

We understood from the management of the Company that they have estimated the annual caps for the year ending 31 December 2022 and 31 December 2023, respectively (the “**2022 and 2023 Annual Caps**”) after taking into consideration, among others, (i) the close to full utilisation of the annual caps under 2019-2021 Construction Framework Agreement for the years ended 31 December 2019 and 2020 which implied that the Company had taken a prudent approach in estimating the transaction amounts and the annual caps in the past; (ii) the number and size of projects from the Controlling Shareholder Group as set out in the Schedule as a reference for estimating future potential number and size of projects; (iii) the continuous need for construction, maintenance and design services for the transformation projects on heat distribution networks, heat exchange stations, boiler rooms, replacement of pipelines and valves by the Controlling Shareholder Group; and (iv) the expected increase in demand for construction, maintenance and design services from the Controlling Shareholder Group.

We have reviewed a letter from Changchun Heating Group to the Group, which stated that, among others, (i) since its heat boilers, distribution pipelines and equipment et cetera will age overtime, it is expected that continuous maintenance services would be required for the year ending 31 December 2022 and 2023; and (ii) the Controlling Shareholder Group requested the Group to get prepared to provide construction, maintenance and design services to the Controlling Shareholder Group for the year ending 31 December 2022 and 2023 as required by the Controlling Shareholder Group. As such, the Directors consider that the 2022 and 2023 Annual Caps would allow more flexibility for the Group to cater for the needs of the Controlling Shareholder Group when it requests the Group to provide services in 2022 and 2023.

We further understood from the management of the Company that the 2022 and 2023 Annual Caps are proposed to remain at approximately RMB50.9 million, despite the Company has not entered into contracts with the Controlling Shareholder Group for the years ending 31 December 2022 and 2023, in order to allow more flexibility for the Group to cater for circumstances when any sizeable projects may be available for tender, such that the Company would not need to seek Independent Shareholders’ approval before participating in tendering such project due to insufficient annual caps, which may cause the Company fail to respond quickly to any business opportunities.

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We have reviewed Measures for the Administration of Bidding and Bidding of Housing Construction and Municipal Infrastructure Projects in Jilin Province* (《吉林省房屋建築和市政基礎設施工程項目招標投標管理辦法》) published by the Jilin Provincial Government. We noted the processing time between the publication of tender results and entering into relevant contracts shall be within 30 days. Thus, if the 2022 and 2023 Annual Caps is insufficient, the Group will not be able to participate in such projects due to the timing required for refreshing the annual cap will exceed 30 days, including but not limited to obtaining Shareholders' approval and other necessary steps to ensure compliance with the Listing Rules will take more than 30 days to accomplish. As such, we concur with the management of the Company that the 2022 and 2023 Annual Caps shall be proposed in order to allow more flexibility for the Group to cater for circumstances when any sizeable projects may be available for tender.

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

Having taken into account (i) the management of the Company shall continue to develop the Group's construction business under the Group's strategy and, subject to successful tender, seek to provide construction services to the Controlling Shareholder Group on its projects; (ii) the information on the projects as set out under the Schedule; (iii) the annual caps offer the Group flexibility and facilitate the participation in future tenders in 2022 and 2023 and (subject to successful tender(s)) taking on projects from the Controlling Shareholder Group; and (iv) the Group is at its own discretion to decide whether to participate in tendering process and/or to provide services for these projects of the Controlling Shareholder Group, we consider that the basis for the annual caps to be fair and reasonable. In addition, Shareholders should note that the annual caps represent only estimates by the Group based on the information currently available. As such, Shareholders should be aware that the actual utilisation and sufficiency of the annual caps would depend on a host of factors, including but not limited to, the project sum to be awarded to the Group after a competitive tender process (if any), the progress of projects of the Controlling Shareholder Group in question and the scope of work. In this regard, we understood from the management of the Company that the Company will actively monitor the progress and utilisation of the annual caps to ensure compliance with the Listing Rules from time to time.

7. Internal control measures

As stated in the Letter from the Board, the Group has adopted internal control measures over the Non-exempt Continuing Connected Transactions contemplated under the 2021-2023 Construction Framework Agreement. These measures include:

- (i) the Company has adopted the Connected Transactions Management Regulations* (《關連交易管理規定》) which provides that all connected transactions (including the transactions contemplated under the 2021-2023 Construction Framework Agreement) shall comply with the relevant Listing Rules' requirements and the Connected Transactions Management Regulations, including but not limited to (a) the transactions must be conducted on normal commercial terms or better and the terms are no less favourable to the Group than terms available to independent customers by the Group; (b) the transactions are carried out in accordance with the Company's pricing policies and the terms of the relevant agreement;

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- (ii) *for contracts that require a tendering process* – prior to submitting the bidding documents to the Controlling Shareholder Group, the Tender Team will review the bidding documents to ensure that (i) the tender documents are prepared in accordance with applicable laws and regulations and the Controlling Shareholder 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 2021-2023 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 the Controlling Shareholder 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;

- (iii) *for contracts that do not require a tendering process* – prior to providing the fee quotations to the Controlling Shareholder 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 2021-2023 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 the Controlling Shareholder 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 the Controlling Shareholder 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;

- (iv) the Company’s planning and management department will closely monitor the total transaction amount to ensure that the respective proposed annual caps in respect of the Non-exempt Continuing Connected Transactions will not be exceeded;

- (v) the Company’s planning and management department shall prepare reports containing total transaction amount under the 2021-2023 Construction Framework Agreement on a monthly basis and submit such reports to the Company’s internal control audit department on a quarterly basis;

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- (vi) based on the reports prepared by the Company's planning and management department, the Company's internal control audit department shall conduct quarterly reviews on the Company's subsidiaries to ensure that (a) the subsidiaries have complied with the Company's Connected Transactions Management Regulations; (b) the transactions contemplated under the 2021-2023 Construction Framework Agreement 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 (c) the transactions are carried out in accordance with the Company's pricing policies and the terms of the 2021-2023 Construction Framework Agreement. The Company's internal control audit department shall report on its findings relating to the Non-exempt Continuing Connected Transactions to the Company's management on a quarterly basis;
- (vii) the Company's external auditors will review the Non-exempt Continuing Connected Transactions annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant caps have been exceeded; and
- (viii) the independent non-executive Directors will review the Non-exempt Continuing Connected Transactions annually to check and confirm whether such Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions were conducted in accordance with the pricing policies set out in such relevant agreements.

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

- (i) the Annual Report 2019 and noted that the independent non-executive Directors had reviewed the historical continuing connected transactions in relation to the 2019-2021 Construction Framework Agreement, and confirmed such continuing connected transactions were (a) in the ordinary and usual course of business of the Group; (b) on normal or better commercial terms which are not less favourable to the Group than terms available to independent customers; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. We also noted that the auditor of the Company had issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with the 2019-2021 Construction Framework Agreement for the year ended 31 December 2019;

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- (ii) the Connected Transactions Management Regulations adopted by the Company and samples of documents, including (a) the internal approval from the head of risk management department, integrated business planning department and construction management department on transaction under the 2021-2023 Construction Framework Agreement; (b) the monthly reports prepared by the planning and management department submitted to the Company's internal control audit department; and (c) the quarterly reports prepared by the internal control department, and noted that the required internal control procedures were properly followed;
- (iii) an unqualified letter from the auditor of the Company and noted their findings and conclusions in respect of the continuing connected transactions in connection with the 2019-2021 Construction Framework Agreement for the years ended 31 December 2019 and 31 December 2020; and
- (iv) the board minutes of the audit committee of the Company and noted the independent non-executive Directors had reviewed the historical continuing connected transactions in relation to the 2019-2021 Construction Framework Agreement, and confirmed such continuing connected transactions were (a) in the ordinary and usual course of business of the Group; (b) on normal or better commercial terms which are not less favourable to the Group than terms available to independent customers; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole for the years ended 31 December 2019 and 31 December 2020.

Having considered that (i) the Company has adopted the Connected Transactions Management Regulations which provides that all connected transactions (including the transactions contemplated under the 2021-2023 Construction Framework Agreement) shall comply with the relevant Listing Rules' requirements and the Connected Transactions Management Regulations; (ii) a monitoring system will be in place with the planning and management department and the internal control audit department of the Group ensuring that the annual caps are not exceeded from time to time; (iii) the reports containing total transaction amount under the 2021-2023 Construction Framework Agreement will be submitted to the management of the Company on a quarterly basis; and (iv) the transactions contemplated under the 2021-2023 Construction Framework Agreement will be annually reviewed by the independent non-executive Directors and the external auditors of the Company, we are of the view that the internal control measures are adequate and effective in ensuring the transactions contemplated under the 2021-2023 Construction Framework Agreement will be entered into on normal commercial terms and there is an effective system in place to monitor the annual caps.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the terms of the 2021-2023 Construction Framework Agreement (together with the proposed annual caps), and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and (ii) the 2021-2023 Construction Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions for approving the 2021-2023 Construction Framework Agreement (together with the proposed annual caps), and the transactions contemplated thereunder at the AGM.

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

Mr. Johnson Chen is a licensed person registered with the Securities and Futures Commission and a responsible officer of Giraffe Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and to undertake work as a sponsor. He has over 13 years of experience in the field of corporate finance advisory.

APPENDIX I DETAILS OF PROPOSED ELECTION/RE-ELECTION OF DIRECTORS AND SUPERVISORS AT THE AGM

Set out below are the biographical details of the Directors eligible for re-election at the AGM:

Mr. LIU Changchun (劉長春先生) (“Mr. LIU”)

Mr. LIU Changchun, aged 57, joined the Group in March 2016 and is currently the Chairman of the Board and a non-executive Director of the Company. Mr. LIU is mainly responsible for the formulation of the Group’s corporate strategies and directing the activities of the Board.

Prior to joining the Group, Mr. LIU had senior management experience for other corporate enterprises. From March 1996 to December 1997, he was the general manager of Jiutai Materials Corporation* (九台市物資實業總公司) and the deputy general manager of its holding company Materials Group Corporation* (物資集團總公司), a corporate group providing centralized procurement, management and materials supply services based in Jilin Province, the PRC. He was mainly responsible for overall operations management. From December 1997 to June 2000, he was the general manager of Jiutai City Industrial Corporation* (九台市工業總公司), an industrial parts manufacturing company based in Jilin Province, the PRC. He was mainly responsible for the overall management of business and operations.

He served as government officials prior to joining the Group. From June 2000 to April 2010, he was the deputy mayor of Dehui City (德惠市), Changchun City, the PRC, and from June 2010 to September 2013, he was the Mayor of Dehui City (德惠市), Changchun City, the PRC. Subsequently, Mr. LIU was appointed by SASAC Changchun as a director, the chairman of the board of directors (from June 2014 to August 2014) and the general manager of Changchun Public Transport Group Co., Ltd.* (長春公共交通(集團)有限公司), a local state-owned public transport enterprise based in Changchun City, the PRC. He was mainly responsible for operations management from April 2014 to March 2016.

Outside the Group, Mr. LIU has served in Changchun Heating Group, the controlling shareholder of the Company, as a director since March 2016 and as the chairman of the board since September 2016. Mr. LIU has served as the chairman in Jilin Province Xinda Investment Management Co., Ltd. (吉林省新達投資管理有限公司) since June 2017 and has served as a non-executive director in Jilin Chuncheng Investment Co., Ltd. (吉林省春城投資有限公司) since September 2018. Since December 2019, Mr. LIU has served in Yatai Heating as the chairman of the board (legal person).

APPENDIX I DETAILS OF PROPOSED ELECTION/RE-ELECTION OF DIRECTORS AND SUPERVISORS AT THE AGM

Mr. LIU obtained a bachelor's degree in materials engineering from Jilin Institute of Engineering* (吉林工學院) (now known as Changchun University of Technology (長春工業大學) in Jilin Province, the PRC, in July 1983 and a master's degree in business administration from Northeast Normal University (東北師範大學) in Jilin Province, the PRC, in June 2010. Mr. LIU has obtained the qualification as a senior engineer (正高級工程師) in heat treatment of metal materials (金屬材料熱處理) awarded by the Human Resources and Social Security Bureau of Jilin Province (吉林省人力資源和社會保障廳). Mr. LIU also passed exams in respect of legal, ethical and operational framework of funds (基金法律法規、職業道德與業務規範), fundamental knowledge in investment funds of private equity shares (私募股權投資基金基礎知識) and fundamental knowledge in investment funds of securities (證券投資基金基礎知識) organized by the Asset Management Association of China (中國證券投資基金業協會). Mr. LIU was also awarded the seventh batch of experts with outstanding contributions (第七批有突出貢獻專家榮譽稱號) jointly by the Changchun Municipal Chinese Communist Party's Committee (中共長春市委) and the People's Government of the Changchun Municipal (長春市人民政府). Mr. LIU was also awarded "Outstanding Entrepreneur of the Year" in the 10th China Securities Golden Bauhinia Awards.

As at the Latest Practicable Date, the Company has entered into a service agreement with Mr. LIU for a term of 3 years commencing from 30 May 2018. The total remuneration paid to Mr. LIU for the year from 1 January 2020 to 31 December 2020 was RMB111,230.99. His remuneration package was determined by the Board upon recommendation from the remuneration committee of the Company with reference to his experience and qualifications. He is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company.

As at the Latest Practicable Date, Mr. LIU did not have any interest in the Shares within the meaning of Part XV of the SFO.

APPENDIX I DETAILS OF PROPOSED ELECTION/RE-ELECTION OF DIRECTORS AND SUPERVISORS AT THE AGM

Mr. YANG Zhongshi (楊忠實先生) (“Mr. YANG”)

Mr. YANG Zhongshi, aged 54, joined the Group in April 1998 and is currently the vice chairman of the Board, an executive Director and the general manager of the Company, mainly responsible for overall management of business and operations of the Group including heat supply and heat supply related services, with specific focus on the general office, human resources department, internal audit department and resources management department.

Mr. YANG has approximately 30 years of working experience in the heating industry and held various senior management positions within the controlling shareholder of the Company, Changchun Heating Group. He was the deputy chief engineer of Changchun Heating Group from December 2000 to December 2002 and was promoted to chief engineer since December 2002, mainly responsible for overall technology management. He served as the deputy general manager at Changchun Heating Group from February 2011 to April 2016, mainly responsible for production management, production safety management and end-users service management, and the general manager from April 2016 to May 2018, mainly responsible for overall business management and implementation of policies passed by the board of directors. Mr. YANG was appointed as a director of Changchun Heating Group from August 2017 to October 2019, mainly responsible for overall management of business and operation. Since May 2018, he has not participated in the daily operation of Changchun Heating Group and has been mainly responsible for formulation of corporate strategies. He was a director at Heating Engineering Design from September 2012 to July 2018, mainly responsible for overall management of business and operations. Mr. YANG has served as a director in Jilin Province Xinda Investment Management Co., Ltd. since June 2017 and in Yatai Heating since December 2019.

Mr. YANG graduated with a bachelor’s degree in power plant thermal power engineering from Northeast China Institute of Electric Power Engineering (東北電力學院) (now known as Northeast Electric Power University (東北電力大學)) in Jilin Province, the PRC, in June 1989. Mr. YANG was accredited as a senior engineer in thermal energy engineering by Human Resources and Social Security Bureau of Jilin Province (吉林省人力資源和社會保障廳) in January 2013. He was appointed as a member of the technical expert committee of China District Heating Association (中國城鎮供熱協會) in March 2017.

As at the Latest Practicable Date, the Company has entered into a service agreement with Mr. YANG for a term of 3 years commencing from 30 May 2018. The total remuneration paid to Mr. YANG for the year from 1 January 2020 to 31 December 2020 was RMB522,735.35. His remuneration package was determined by the Board upon recommendation from the remuneration committee of the Company with reference to his experience and qualifications. He is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company.

As at the Latest Practicable Date, Mr. YANG did not have any interest in the Shares within the meaning of Part XV of the SFO.

APPENDIX I DETAILS OF PROPOSED ELECTION/RE-ELECTION OF DIRECTORS AND SUPERVISORS AT THE AGM

Mr. SHI Mingjun (史明俊先生) (“Mr. SHI”)

Mr. SHI Mingjun, aged 52, joined the Group in April 1998 and is currently an executive Director and the deputy general manager of the Company, mainly responsible for overall management of heat supply network construction projects as well as mergers and acquisitions and business development of the Group.

Mr. SHI has approximately 24 years of working experience in the heating industry. He held various positions within the controlling shareholder of the Company, Changchun Heating Group, and worked successively as manager assistant, deputy manager and manager of the construction development division from September 2000 to August 2009, mainly responsible for construction of thermal power plants network, overall management of business operations and formulation of business strategies. He then worked at Changchun Heating Group as the general manager assistant from August 2009 to August 2010 and was promoted to the position of deputy general manager from August 2010 to July 2018 mainly responsible for formulation of strategies and development plans of the Group and overall management of business operations. Mr. SHI was appointed as a director of Changchun Heating Group from November 2014 to January 2018, mainly responsible for overall management of construction projects. He has worked as the deputy general manager of the Company since July 2018. Mr. SHI has served in Datang Changre Jilin Heating Company Limited (大唐長熱吉林熱力有限公司) as a non-executive director since June 2017; as the chairman (legal person) in Jilin Province Xixing Energy Limited (吉林省西興能源有限公司) (formerly known as Changchun FAW Sihuan Kinetic Company Limited (長春一汽四環動能有限公司)) since October 2014 and subsequently re-designated as executive director (legal person) from June 2020 to August 2020; as an executive director and general manager in Jilin Province Chuncheng Biomass Power Co., Ltd from December 2018 to January 2020; and as a director in Yatai Heating since December 2019.

Mr. SHI obtained a bachelor’s degree in civil engineering from Kunming University of Science and Technology (昆明理工大學) in Yunnan Province, the PRC, in October 2002 and a master’s degree in senior executive business administration management from Jilin University (吉林大學) in Jilin Province, the PRC, in June 2012. Mr. SHI was accredited as a senior engineer in industrial and construction by Jilin Department of Personnel (吉林省人事廳) in January 2017.

As at the Latest Practicable Date, the Company has entered into a service agreement with Mr. SHI for a term of 3 years commencing from 30 May 2018. The total remuneration paid to Mr. SHI for the year from 1 January 2020 to 31 December 2020 was RMB476,461.34. His remuneration package was determined by the Board upon recommendation from the remuneration committee of the Company with reference to his experience and qualifications. He is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company.

As at the Latest Practicable Date, Mr. SHI did not have any interest in the Shares within the meaning of Part XV of the SFO.

APPENDIX I DETAILS OF PROPOSED ELECTION/RE-ELECTION OF DIRECTORS AND SUPERVISORS AT THE AGM

Mr. XU Chungang (徐純剛先生) (“Mr. XU”)

Mr. XU Chungang, aged 47, joined our Group in April 2018 and is currently an executive Director, the deputy general manager and financial controller of the Company, mainly responsible for overall management of business plans, finance and legal matters of the Group.

Prior to joining the Group, Mr. XU had senior management experience for other corporate enterprises. He successively served at Changchun Water Group* (長春水務集團), a local stated-owned water enterprise in the PRC, as the deputy head of finance department from December 2002 to February 2003, deputy head of corporate strategies department from February 2003 to March 2005, head of corporate strategies department from March 2005 to February 2006, head of finance department from February 2006 to March 2006, the deputy chief economist from May 2007 to May 2014, and general manager assistant from July 2010 to May 2014, mainly responsible for overall management of business plans and finance. From May 2014 to October 2016, he was promoted as the deputy general manager of Changchun Water (Group) Co., Ltd.* (長春水務(集團)有限責任公司), mainly responsible for water discharge segment management and management of safety and legal matters. From December 2016 to April 2018, he was the general manager of Changchun Investment and Construction (Group) Co., Ltd.* (長春城投建設投資(集團)有限公司), a company engages in infrastructure construction, investment and operations for Changchun City, the PRC, mainly responsible for overall management of business operation. In addition to his corporate experiences, Mr. XU served as the mayor assistant of Yushu City (榆樹市), Jilin Province, the PRC, mainly responsible for assisting the deputy mayor to manage agriculture industry from March 2006 to May 2007.

Mr. XU obtained a master’s degree in laws from Jilin University (吉林大學) in Jilin Province, the PRC, in December 2008. Mr. XU was accredited as a senior accountant by Jilin Department of personnel (吉林省人事廳) in September 2005. Mr. XU passed the PRC judicial exam and received the qualification of legal profession (法律職業資格證) by Ministry of Justice of the People’s Republic of China (中華人民共和國司法部) in September 2002.

As at the Latest Practicable Date, the Company has entered into a service agreement with Mr. XU for a term of 3 years commencing from 30 May 2018. The total remuneration paid to Mr. XU for the year from 1 January 2020 to 31 December 2020 was RMB415,724.07. His remuneration package was determined by the Board upon recommendation from the remuneration committee of the Company with reference to his experience and qualifications. He is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company.

As at the Latest Practicable Date, Mr. XU did not have any interest in the Shares within the meaning of Part XV of the SFO.

APPENDIX I DETAILS OF PROPOSED ELECTION/RE-ELECTION OF DIRECTORS AND SUPERVISORS AT THE AGM

Mr. LI Yeji (李業績先生) (“Mr. LI”)

Mr. LI Yeji, aged 43, joined the Group in September 2001 and is currently an executive Director, and our manager of the construction management center, mainly responsible for overall management of construction projects of the Group.

Mr. LI has approximately 20 years of working experience in the PRC heating industry. He has held various positions within the controlling shareholder of the Company, Changchun Heating Group, and worked successively as the construction manager of the construction development division from September 2001 to May 2002, mainly responsible for coordination of construction projects; the process engineer of the technical department from May 2002 to April 2008, mainly responsible for process management of technical department; the deputy manager of Chaoyang Division One from April 2008 to March 2009 mainly responsible for production management and quality control; the deputy head of production department from March 2009 to March 2010 mainly responsible for operations and end-users services management; the deputy manager of Chaoyang Division Two from March 2010 to April 2012 mainly responsible for production management, quality control and management of technical equipment; the head of the integrated business planning department from April 2012 to May 2015 mainly responsible for overall management and operations planning; the head of the fuel management division and secretary from May 2015 to May 2017 mainly responsible for overall fuel management; deputy head of the construction management center from May 2017 to July 2017 mainly responsible for construction project management; and manager of the construction management center since December 2017 mainly responsible for construction project management. Mr. LI was seconded to Tianjin Jin’an Thermal Power Limited Liability Company* (天津津安熱電有限責任公司) as deputy general manager from July 2017 to December 2017, mainly responsible for management of technology and production.

Mr. LI graduated from Jilin Institute of Architecture and Engineering* (吉林建築工程學院) (now known as Jilin Jianzhu University (吉林建築大學) in Jilin Province, the PRC, with a bachelor’s degree in heating ventilation and air conditioning engineering in July 2001. He was accredited as a senior engineer in heating, ventilation, and air conditioning by Human Resources and Social Security Bureau of Jilin Province (吉林省人力資源和社會保障廳) in January 2013.

As at the Latest Practicable Date, the Company has entered into a service agreement with Mr. LI for a term of 3 years commencing from 30 May 2018. The total remuneration paid to Mr. LI for the year from 1 January 2020 to 31 December 2020 was RMB238,399.45. His remuneration package was determined by the Board upon recommendation from the remuneration committee of the Company with reference to his experience and qualifications. He is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company.

As at the Latest Practicable Date, Mr. LI did not have any interest in the Shares within the meaning of Part XV of the SFO.

APPENDIX I DETAILS OF PROPOSED ELECTION/RE-ELECTION OF DIRECTORS AND SUPERVISORS AT THE AGM

Mr. WANG Yuguo (王玉國先生) (“Mr. WANG”)

Mr. WANG Yuguo, aged 51, is an independent non-executive Director of the Company. He was appointed as an independent non-executive Director on 19 August 2019. He is responsible for overseeing the management of the Group independently. Mr. WANG has served as the chief of tourist office and head of investment promotion office at the Foreign Economic Agency of Dehui City, Jilin Province* (吉林省德惠市對外經濟發展局) from March 2003 to February 2006, mainly responsible for management of tourism resources and the introduction of foreign investment, during which he also served as the director of foreign investment division at the Economic Department of Dehui City, Jilin Province* (吉林省德惠市經濟局) from February 2006 to December 2010, mainly responsible for the introduction of foreign investment, during which he also served as the deputy head of Buhai County (布海鎮), Dehui City (德惠市) from May 2007 to June 2009, mainly responsible for management of human resources and modern agricultural projects. From December 2010 to December 2012, Mr. WANG was the general manager of Jilin Province Dehui City Investment Development Co., Ltd.* (吉林省德惠市城市投資發展有限公司), a city project investment company and property developer, mainly responsible for management of the investment projects in Dehui City and the development and construction of real estate and infrastructure. From December 2012 to December 2015, Mr. WANG was the deputy manager of Dehui City Commercial State-Owned Assets Operation Company* (德惠市商業國有資產經營公司), mainly responsible for introducing foreign investments to Dehui City. From December 2015 to June 2017, Mr. WANG served as the deputy chief at the Economic Department of Dehui City of Jilin Province* (吉林省德惠市經濟局), mainly responsible for development and management of tourism resources and introduction of foreign investment projects. From June 2017 to April 2018, Mr. WANG was the deputy secretary general of Jilin Province City Heating Association* (吉林省城鎮供熱協會), mainly responsible for assisting the chief secretary general to manage the association. He has served as the chief secretary general at Jilin Province City Heating Association* (吉林省城鎮供熱協會) since April 2018, mainly responsible for research and consolidation of heat supply regulations at the state-level and provincial-level and the promotion of heat supply industries.

Mr. WANG graduated from Jilin Finance and Trading College* (吉林財貿學院) (now known as Jilin University of Finance and Economics (吉林財經大學) in Jilin Province, the PRC, majoring in accounting in August 1992.

As at the Latest Practicable Date, the Company has entered into a letter of appointment with Mr. WANG for a term of 3 years commencing from 19 August 2018. The total remuneration paid to Mr. WANG for the year from 1 January 2020 to 31 December 2020 was RMB100,000. His remuneration package was determined by the Board upon recommendation from the remuneration committee of the Company with reference to his experience and qualifications. He is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company.

As at the Latest Practicable Date, Mr. WANG did not have any interest in the Shares within the meaning of Part XV of the SFO.

APPENDIX I DETAILS OF PROPOSED ELECTION/RE-ELECTION OF DIRECTORS AND SUPERVISORS AT THE AGM

Mr. FU Yachen (付亞辰先生) (“Mr. FU”)

Mr. FU Yachen, aged 67, is an independent non-executive Director of the Company. He was appointed as an independent non-executive Director on 19 August 2019. He is responsible for overseeing the management of the Group independently. Mr. FU has over 36 years of experience teaching in university. He worked successively as a lecturer and the deputy head of the faculty of finance at Jilin Finance and Trading College* (吉林財貿學院) (now known as Jilin University of Finance and Economics (吉林財經大學)) and Changchun Tax Institute* (長春稅務學院) (now known as Jilin University of Finance and Economics (吉林財經大學)) from July 1982 to December 1986, from January 1987 to December 1992 and from January 1993 to December 1998, respectively, mainly responsible for giving lectures. He was promoted as the department head of faculty of finance at Changchun Tax Institute* (長春稅務學院) (now known as Jilin University of Finance and Economics (吉林財經大學)) from January 1999 to December 2009, mainly responsible for administrative work. From January 2010 to December 2010, Mr. FU was the dean of the finance faculty of Jilin University of Finance and Economics (吉林財經大學) mainly responsible for management and administration. Mr. FU has been working as an advisor at Jilin Provincial Government since January 2012, mainly responsible for offering advice and supervising the government. He has been working as an independent director at Bank of Jilin (吉林銀行) from October 2014 to April 2020, mainly responsible for overseeing the management independently.

Mr. FU graduated Jilin Finance and Trading College* (吉林財貿學院) (now known as Jilin University of Finance and Economics (吉林財經大學)) in Jilin Province in July 1982 with a bachelor's degree in finance. Mr. FU was accredited as a professor with a specialty in finance by Jilin Department of personnel (吉林省人事廳) in November 1999. Mr. FU was also accredited as a qualified teacher in tertiary education institutes by the Ministry of Education of the PRC (中國國家教育委員會) in April 1997, and was awarded the renowned teacher of Jilin Province* (吉林省教學名師) in 2009.

As at the Latest Practicable Date, the Company has entered into a letter of appointment with Mr. FU for a term of 3 years commencing from 19 August 2018. The total remuneration paid to Mr. FU for the year from 1 January 2020 to 31 December 2020 was RMB100,000. His remuneration package was determined by the Board upon recommendation from the remuneration committee of the Company with reference to his experience and qualifications. He is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company.

As at the Latest Practicable Date, Mr. FU did not have any interest in the Shares within the meaning of Part XV of the SFO.

APPENDIX I DETAILS OF PROPOSED ELECTION/RE-ELECTION OF DIRECTORS AND SUPERVISORS AT THE AGM

Mr. POON Pok Man (潘博文先生) (“Mr. POON”)

Mr. POON Pok Man, aged 36, is an independent non-executive Director of the Company. He was appointed as an independent non-executive Director on 19 August 2019. He is responsible for overseeing the management of the Group independently. Mr. POON has over 13 years of professional experience in corporate finance, corporate restructuring, financial reporting and auditing.

He is currently the chief financial officer and the assistant general manager of the shipping department of Asia Energy Logistics Group Limited (亞洲能源物流集團有限公司) (stock code: 351), mainly responsible for financial management, overseeing investment projects and fund raising activities.

Mr. POON graduated from the City University of Hong Kong (香港城市大學), with a bachelor’s degree in Business Administration (Hons) with a major in accounting in November 2007. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.

As at the Latest Practicable Date, the Company has entered into a letter of appointment with Mr. POON for a term of 3 years commencing from 17 August 2018. The total remuneration paid to Mr. POON for the year from 1 January 2020 to 31 December 2020 was RMB150,000. His remuneration package was determined by the Board upon recommendation from the remuneration committee of the Company with reference to his experience and qualifications. He is subject to retirement by rotation and re-election at the AGM in accordance with the Articles of Association of the Company.

As at the Latest Practicable Date, Mr. POON did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the abovementioned Directors (i) had not held any other directorships in any listed public companies in Hong Kong or overseas in the last three years, nor any other positions in the Company and its subsidiaries; (ii) did not have any relationship with any Directors, Supervisors, senior management or substantial shareholders of the Company; and (iii) the Board was not aware of any other matters relating to the re-elections of the abovementioned Directors that need to be brought to the attention of the Shareholders, nor is there any information required to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

APPENDIX I DETAILS OF PROPOSED ELECTION/RE-ELECTION OF DIRECTORS AND SUPERVISORS AT THE AGM

Set out below are the biographical details of the Supervisors eligible for election/re-election at the AGM:

Mr. QIU Jianhua (仇建華先生) (“Mr. QIU”)

Mr. QIU Jianhua, aged 55, has served in various positions in Changchun Heating Group, the controlling shareholder of the Company, including as coordinator of the production planning section from August 1987 to November 1992, section officer of the personnel department from November 1992 to May 1994, deputy chief of the operation department from May 1994 to June 1998, chief of the operation department and manager of the debt collection business from June 1998 to March 2004 and chief of the general operation and planning department from March 2004 to May 2011. He was promoted to the position of assistant general manager of Changchun Heating Group from May 2011 to December 2014 and has been the deputy general manager of Changchun Heating Group since December 2014.

Mr. QIU graduated from Jilin Institute of Chemical Technology (吉林化工學校) in July 1987 majoring in chemical machinery and obtained a bachelor’s degree in electromechanical integration from Jilin University of Technology (吉林工業大學) in January 1993. In January 2007, Mr. QIU was accredited as a senior engineer in heating equipment and heat supply network management by the Jilin Department of Personnel* (吉林省人事廳).

If the proposed appointment of Mr. QIU as a Supervisor is approved at the AGM, his term of office will commence from the date of the AGM to the conclusion of the second session of the Supervisory Committee. Mr. QIU will not be entitled to any emolument for acting as a Supervisor.

Save as disclosed above, Mr. QIU has confirmed that as at the Latest Practicable Date, he did not hold any other positions in the Company or its subsidiaries, had not held any directorship in any listed companies in Hong Kong or overseas in the past three years, did not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company and did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there is no other information relating to Mr. QIU that requires to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there is no other matter in respect of his proposed appointment that needs to be brought to the attention of the Shareholders.

**APPENDIX I DETAILS OF PROPOSED ELECTION/RE-ELECTION OF
DIRECTORS AND SUPERVISORS AT THE AGM**

Ms. ZHANG Wei (張維女士) (“Ms. ZHANG”)

Ms. ZHANG Wei, aged 40, is a Supervisor of the Company. She was appointed as a Supervisor on 30 December 2020. Ms. ZHANG qualified as an attorney-at-law of the PRC in 2016. Ms. ZHANG worked at Jilin ZhengJi Law Firm (吉林正基律師事務所) from January 2008 to October 2017 and as a practicing attorney from September 2016. Since January 2018, Ms. ZHANG has been acting as the general counsel of Changchun SCIO Group.

Ms. ZHANG obtained her bachelor’s degree in law from Northeast Normal University (東北師範大學), the PRC in 2003 and her master’s degree in civil law and commercial law from Jilin University (吉林大學), the PRC in 2007.

If the proposed re-election of Ms. ZHANG as a Supervisor is approved at the AGM, her term of office will commence from the date of the AGM to the conclusion of the second session of the Supervisory Committee. Ms. ZHANG will not be entitled to any emolument for acting as a Supervisor.

Save as disclosed above, Ms. ZHANG has confirmed that as at the Latest Practicable Date, she did not hold any other positions in the Company or its subsidiaries, had not held any directorship in any listed companies in Hong Kong or overseas in the past three years, did not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company, and did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there is no other information relating to Ms. ZHANG that requires to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there is no other matter in respect of her proposed re-election that needs to be brought to the attention of the Shareholders.

1. RESPONSIBILITY STATEMENT

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

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

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

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than the Directors, Supervisors or chief executives of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares/ underlying Shares held (share) ^(Note 4)	Percentage of relevant class of share capital (%)	Percentage of total share capital (%)
Changchun Heating Group	Domestic Shares	Beneficial owner	325,500,000 (L)	93.00	69.75
Changchun State-owned Capital Investment Operation (Group) Co., Ltd.	Domestic Shares	Beneficial owner	24,500,000 (L)	7.00	5.25
China Foreign Economic and Trade Trust Co., Ltd. <i>(Note 1)</i>	H Shares	Trustee	29,202,500 (L)	25.02	6.26
SDIC Taikang Trust Co., Ltd. <i>(Note 2)</i>	H Shares	Trustee	17,510,000 (L)	15.00	3.75
Cititrust Private Trust (Cayman) Limited <i>(Note 3)</i>	H Shares	Interest of a controlled corporation	26,750,000 (L)	22.92	5.73
Fantasy Races Limited <i>(Note 3)</i>	H Shares	Interest of a controlled corporation	26,750,000 (L)	22.92	5.73
Harvest Well Holdings Limited <i>(Note 3)</i>	H Shares	Interest of a controlled corporation	26,750,000 (L)	22.92	5.73
Joywise Holdings Limited <i>(Note 3)</i>	H Shares	Interest of a controlled corporation	26,750,000 (L)	22.92	5.73
Ming Fai International Limited <i>(Note 3)</i>	H Shares	Interest of a controlled corporation	26,750,000 (L)	22.92	5.73
Sunshine 100 China Holdings Ltd. <i>(Note 3)</i>	H Shares	Interest of a controlled corporation	26,750,000 (L)	22.92	5.73

Notes:

- China Foreign Economic and Trade Trust Co., Ltd. is the trustee of SCBCN-Foreign Economy and Trade Trust Co., Ltd-Fotic Wuxingbaichuan No. 37 Unitrust.

2. SDIC Taikang Trust Co., Ltd. is the trustee of SDIC Taikang Trust – Ruijin No. 8 QDII Single Fund Trust.
3. Sunshine 100 China Holdings Ltd. is interested in 35,700,000 H Shares. Sunshine 100 China Holdings Ltd. is owned as to 66.34% by Joywise Holdings Limited; Joywise Holdings Limited is owned as to 60% and 40% by Harvest Well Holdings Limited and Ming Fai International Limited, respectively; each of Harvest Well Holdings Limited and Ming Fai International Limited is owned as to 72.4% by Fantasy Races Limited; and Fantasy Races Limited is owned as to 100% by Cititrust Private Trust (Cayman) Limited. As such, by virtue of the SFO, Joywise Holdings Limited, Harvest Well Holdings Limited, Ming Fai International Limited, Fantasy Races Limited and Cititrust Private Trust (Cayman) Limited are deemed to be interested in the H Shares held by Sunshine 100 China Holdings Ltd.
4. The letter “L” denotes the relevant person’s long position in such Shares.

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

3. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

4. QUALIFICATION AND CONSENT OF EXPERT

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

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

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

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

As at the Latest Practicable Date, the above expert did not have any interest, direct or indirect, in any assets which have been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

5. COMPETING INTERESTS

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

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

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

6. NO MATERIAL ADVERSE CHANGE

So far as is known to the Directors, as at the Latest Practicable Date, the Directors confirmed that they were not aware of any material adverse change in the financial or trading position of the Group, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

So far as is known to the Directors, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive had any interest, direct or indirect, in any assets which have been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

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

8. GENERAL

- (a) The registered office of the Company is at No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, PRC.
- (b) The principal place of business of the Company in Hong Kong is at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The H share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The joint company secretaries of the Company are Mr. Wan Tao and Mr. Lee Chung Shing. Mr. Lee Chung Shing is an associate of Hong Kong Institute of Certified Public Accountants and fellow member of the Association of Chartered Certified Accountants.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the offices of Lau, Horton & Wise LLP at 8th Floor, Nexxus Building, 41 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the AGM:

- (a) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 29 to 30 of this circular;
- (b) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 31 to 52 of this circular;
- (c) the written consents referred to in the section headed "4. Qualification and Consent of Expert" in this appendix;
- (d) the 2021-2023 Construction Framework Agreement; and
- (e) this circular.

NOTICE OF 2020 ANNUAL GENERAL MEETING



Jilin Province Chuncheng Heating Company Limited* **吉林省春城熱力股份有限公司**

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

(Stock code: 1853)

NOTICE OF THE 2020 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 annual general meeting (the “**AGM**”) of Jilin Province Chuncheng Heating Company Limited* (the “**Company**”) will be held at 9 a.m. on Friday, 28 May 2021 at the Conference Room 907, Chuncheng Heating, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the adoption of the report of the Directors for the year ended 31 December 2020.
2. To consider and approve the adoption of the report of the Supervisory Committee for the year ended 31 December 2020.
3. To consider and approve the annual report of the Company for the year 2020.
4. To consider and approve the adoption of the Group's audited financial statements as of, and for the year ended 31 December 2020.
5. To consider and approve the Company's profit distribution plan for the year ended 31 December 2020.
6. To authorise and approve the Board to determine the remuneration plan for the Directors for the year ending 31 December 2021 in accordance with the Company's internal policies and relevant regulatory requirements.
7. To authorise and approve the Board to determine the remuneration plan for the Supervisors for the year ending 31 December 2021 in accordance with the Company's internal policies and relevant regulatory requirements.
8. To consider and approve the re-appointment of Da Hua Certified Public Accountants (special general partnership) as the Company's auditors for 2021 for a term until the conclusion of the next annual general meeting of the Company, and to authorize the Board to determine its remuneration.

* For identification purpose only

NOTICE OF 2020 ANNUAL GENERAL MEETING

9.
 - (i) To re-elect Mr. LIU Changchun as a non-executive Director;
 - (ii) To re-elect Mr. YANG Zhongshi as an executive Director;
 - (iii) To re-elect Mr. SHI Mingjun as an executive Director;
 - (iv) To re-elect Mr. XU Chungang as an executive Director;
 - (v) To re-elect Mr. LI Yeji as an executive Director;
 - (vi) To re-elect Mr. WANG Yuguo as an independent non-executive Director;
 - (vii) To re-elect Mr. FU Yachen as an independent non-executive Director; and
 - (viii) To re-elect Mr. POON Pok Man as an independent non-executive Director.
10.
 - (i) To elect Mr. QIU Jianhua as a Supervisor of the Company; and
 - (ii) To re-elect Ms. ZHANG Wei as a Supervisor of the Company.
11. To consider and approve the 2021-2023 Construction Framework Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Changchun Heating Group (for itself and on behalf of its subsidiaries other than the Group), the continuing connected transactions contemplated thereunder and the amount of annual caps.

SPECIAL RESOLUTION

12. (I) To consider and approve the grant of a general mandate to the Board to allot, issue and deal with additional Domestic Shares and/or H Shares during the relevant period. The Board may, independently or simultaneously, allot, issue and deal with additional Domestic Shares and/or H Shares (apart from the issue of shares by conversion of the surplus reserve into the share capital in accordance with the PRC Company Law and the Articles of Association of the Company) not more than 20% of the respective number of Domestic Shares and/or H Shares in issue as at the date of passing the resolution. The exercise of the general mandate shall comply with the conditions below:

- (a) The Board may make or grant Share sales proposal and agreements which would or might require the exercise of such power after the expiry of the relevant period:

For the purpose of this resolution, the “relevant period” means the period from the date of passing this resolution until the earliest of either:

- (i) the conclusion of the next annual general meeting of the Company following the passing of this resolution at the AGM;

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- (ii) 12 months from the date of the passing of this resolution at the AGM;
and
 - (iii) the date on which the authorization set out in this resolution is revoked or amended by a special resolution in a general meeting of the Company.
- (b) The number of Domestic Shares and/or H Shares to be allotted, issued or dealt with or conditionally or unconditionally agreed to be allotted, issued or dealt with (whether pursuant to the exercise of options or otherwise by the Board) shall not exceed 20% of the respective number of Domestic Shares and/or H Shares in issue as at the date of passing the resolution.
- (c) The Board will exercise the power under such mandate in accordance with the PRC Company Law, other applicable laws and regulations of the PRC and the Listing Rules as amended from time to time and upon the necessary approval from the CSRC and other relevant authorities.
- (II) The Board be and is hereby authorized to make such amendments to the Articles of Association of the Company as it thinks fit so as to increase the registered share capital and reflect the new capital structure of the Company upon the allotment, issuance of and dealing with shares as contemplated in the above paragraph (I) of this resolution in accordance with the PRC Company Law, other applicable laws and regulations in the PRC and the Listing Rules; and
- (III) Contingent on the Board resolving to allot, issue and deal with shares of the Company pursuant to paragraph (I) of this resolution, the Board be and is hereby authorized to approve, execute and do or procure to be approved, executed and done, all such documents, deeds and things as it may consider necessary in connection with the issuance, allotment of and dealing with such shares including, without limitation, determining the size of the issue, the issue price, the use of proceeds from the issue, the target of the issue and the place and time of the issue, making all necessary applications to the relevant authorities, entering into an underwriting agreement or any other agreements, and making all necessary filings and registrations with the relevant PRC, Hong Kong and other authorities.

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

Jilin, the PRC, 27 April 2021

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Notes:

1. The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive), during which period no transfer of Shares of the Company can be registered. Shareholders who wish to attend and vote at the AGM must lodge all transfer documents accompanied by the relevant share certificates to (in case of H Shareholders) the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or (in case of Domestic Shareholders) the head office of the Company in the PRC, No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC no later than 4:30 p.m. on Monday, 24 May 2021.
2. Shareholders who are entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on their behalves. A proxy needs not to be a Shareholder.
3. In order to be valid, the proxy form of Shareholders for the AGM must be deposited by hand or by post to (in case of H Shareholders) the H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or (in case of Domestic Shareholders) the head office of the Company in the PRC, No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC not less than 24 hours before the time for holding the AGM or any adjournment thereof for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the AGM or any adjourned meetings thereof should they so wish.
4. Shareholders or their proxies shall provide their identification documents when attending the AGM. In case of a corporate Shareholder, its proxy or other person authorized to attend the meeting with a resolution passed by the board of directors or other decision-making authorities of which the Shareholder is a member, should provide a copy of such resolution.
5. In case of joint holders, the vote of the senior joint Shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s) and for this purpose seniority will be determined by the order in which the names stand on the register of members of the Company in respect of the joint shareholding.
6. The on-site AGM is expected to take less than half a day. Shareholders attending the AGM shall be responsible for their own travel and accommodation expenses.
7. The address of the head office of the Company in the PRC is No. 28, Block B Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC.
8. Taking into account of the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the AGM against the epidemic to protect the Shareholders from the risk of infection:
 - i. Compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue;
 - ii. Every Shareholder or proxy is required to wear surgical face mask throughout the meeting; and
 - iii. No refreshment will be served.

Furthermore, the Company wishes to advise the Shareholders, particularly Shareholders who are subject to quarantine in relation to novel coronavirus pneumonia, that they may appoint any person or the chairman of the AGM as a proxy to vote on the resolution, instead of attending the AGM in person.

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