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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)

CONNECTED TRANSACTION ACQUISITION OF ASSETS SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of Jilin Province Chuncheng Heating Company Limited (the “**Company**”) dated 19 March 2024, in relation to, among other things, the proposed acquisition of Assets by Yatai Heating from Chuncheng Investment (the “**Announcement**”). Unless defined otherwise, terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board would like to provide the Shareholders and investors of the Company with additional information relating to the valuation of the Assets by the Valuer.

VALUATION OF BUILDINGS

As disclosed in the Announcement, the replacement cost method is adopted for the valuation of buildings. In determining the full replacement price of buildings, the Valuer makes references to the following:

- (a) ***Cost indicators of similar buildings with the same purpose (i.e. project construction and installation cost)*** — in arriving at the pricing of construction and installation projects, the Valuer makes references to the construction cost of similar buildings in Changchun City as provided by Glodon (廣聯達長春市類似建築成本類比) and the quality and safety indicators of construction projects in Jilin Province in the second half of 2023.
- (b) ***Upfront and other fees*** — the Valuer makes references to the construction fees stipulated by the local government and other fees invested by the construction unit for the construction project (other than the construction cost).

- (c) **Loan interest** — refers to the loan interest on funds invested in project construction during the construction period. The loan interest is calculated by the following formula:

(Project construction and installation cost + upfront and other fees) × reasonable construction period × interest rate × 50%

The interest rate adopted in the valuation is based on the loan market quotation rate published by the National Interbank Funding Center* (全國銀行間同業拆借中心) authorized by the People's Bank of China (中國人民銀行) on 20 February 2024 (i.e. 3.45% per annum for loans within 1 year and 4.90% per annum for loans over 5 years); whereas the construction period is calculated based on the payment cycle of the construction project and on an average investment basis.

The depreciation rate adopted for ascertaining the appraised value of the buildings is arrived at by the following formula:

Comprehensive depreciation rate = Depreciation rate calculated by
the useful life method × 40% + Depreciation rate calculated by
the intact score method × 60%

Based on the above, the comprehensive depreciation rate adopted by the Valuer for the valuation of the buildings range from 57% to 94%.

VALUATION OF COAL-FIRED BOILERS AND ANCILLARY EQUIPMENT

As disclosed in the Announcement, the replacement cost method is adopted for the valuation of coal-fired boilers and ancillary equipment. In determining the full replacement price of each coal-fired boiler or ancillary equipment, the Valuer makes references to the following:

- (a) **Purchase price** — in ascertaining the purchase price for each type of equipment, the Valuer makes references to (i) the selling price quoted by manufacturers, distributors and selling agents; (ii) the contract price as stated in recent procurement contracts; or (iii) making references to the price trends for similar equipment where there is no readily available market price.
- (b) **Transportation cost** — where relevant, the Valuer will determine the transportation cost with references to the transportation distance. The transportation fee will be estimated based on a certain proportion of the total price of the equipment with reference to the Asset Valuation Common Data and Parameters Manual* (資產評估常用資料與參數手冊).

- (c) **Installation and commission fees** — in determining the installation and commission fees, the Valuer makes references to the Asset Valuation Common Data and Parameters Manual* (資產評估常用資料與參數手冊) and other information and calculate different installation rates based on the equipment's characteristics, weight, ease of installation and equipment purchase price.
- (d) **Capital costs** — capital costs is only applicable for those large and medium scale equipment with a construction period of more than six months. The following formula is used for calculating the capital costs:

$$\text{Capital costs} = (\text{Purchase price of equipment} + \text{transportation cost} + \text{installation and commission fees} + \text{other fees}) \times \text{reasonable construction period} \times \text{interest rate} \times \frac{1}{2}$$

The interest rate adopted in the valuation is determined based on the interest rate as at the Valuation Date.

The depreciation rate adopted for ascertaining the appraised value of equipment is calculated based on the useful life method.

Based on the above, the depreciation rate adopted by the Valuer for the valuation of each type of equipment range from 15% to 98%.

VALUATION OF LAND USE RIGHTS

As disclosed in the Announcement, the residual method is used to appraise the value of the land use right by deducting the value-added income of the land from the transfer price of the land use right. There is one land use right among the Assets and its transfer price and value-added income of such land is RMB3,661,600 and RMB915,400, respectively.

Save as disclosed above, all other information set out in the Announcement remain unchanged. This supplemental announcement is supplemental to and should be read in conjunction with the Announcement.

By order of the Board
Jilin Province Chuncheng Heating Company Limited*
Wan Tao
Joint Company Secretary

Jilin, the PRC, 22 March 2024

As at the date of this announcement, the executive Directors are Mr. Yang Zhongshi, Mr. Shi Mingjun, Mr. Xu Chungang and Mr. Li Yeji; and the independent non-executive Directors are Mr. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man.

* *For identification purpose only*