
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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



Jilin Province Chuncheng Heating Company Limited*

吉林省春城熱力股份有限公司

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

(Stock code: 1853)

**(1) MAJOR AND CONNECTED TRANSACTION:
ACQUISITION OF ASSETS;**

AND

(2) NOTICE OF THE FIRST EGM OF 2025

Independent Financial Adviser



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

A letter from the Board is set out on pages 6 to 29 of this circular. A letter from the Independent Board Committee is set out on page 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 65 of this circular.

A notice dated 25 August 2025 convening the EGM to be held at 9 a.m. on Wednesday, 10 September 2025 at Conference Room 711, Chuncheng Heating, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC is set out on pages EGM-1 to EGM-2 of this circular.

The proxy form for the EGM has been posted to you (if requested) on 25 August 2025. Whether or not you are able to attend the EGM 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*

25 August 2025

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	30
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	31
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — VALUATION OF THE TARGET ASSETS I	II-1
APPENDIX III — VALUATION OF THE TARGET ASSETS II	III-1
APPENDIX IV — VALUATION OF THE TARGET ASSETS III	IV-1
APPENDIX V — GENERAL INFORMATION	V-1
NOTICE OF THE FIRST EGM OF 2025	EGM-1

DEFINITIONS

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

“2024 Acquisition”	the acquisition of assets by the Company from Changre Group pursuant to the 2024 Assets Transfer Agreement
“2024 Assets Transfer Agreement”	the assets transfer agreement dated 1 November 2024 and entered into between the Company and Changre Group, further details of which are disclosed in the Company’s circular dated 9 December 2024
“2024–2026 Heat Procurement Framework Agreement (Changre Group)”	the heat procurement framework agreement dated 11 October 2023 and entered into between the Company (for itself and on behalf of its subsidiaries) and Changre Group (for itself and on behalf of its subsidiaries other than the Group) in relation to the procurement of heat by the Group from the Controlling Shareholder Group, details of which are set out in the Company’s circular dated 7 November 2023
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Assets Transfer Agreement I”	the Original Assets Transfer Agreement I as amended and supplemented by the First Supplemental Assets Transfer Agreement I and the Second Supplemental Assets Transfer Agreement I in relation to the Proposed Acquisition I
“Assets Transfer Agreement II”	the Original Assets Transfer Agreement II as amended and supplemented by the Supplemental Assets Transfer Agreement II in relation to the Proposed Acquisition II
“Assets Transfer Agreement III”	the assets transfer agreement dated 16 June 2025 and entered into between the Company and Jilin Heating in relation to the Proposed Acquisition III
“Assets Transfer Agreements”	collectively, the Assets Transfer Agreement I, the Assets Transfer Agreement II and the Assets Transfer Agreement III
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Changre Group”	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司) (formerly known as Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司), a controlling shareholder of the Company

DEFINITIONS

“Company”	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司), presently a joint stock company with limited liability which was incorporated in the PRC on 23 October 2017 and the H Shares of which are listed on the Main Board of the Stock Exchange
“Completion Date I”	such date as agreed by the parties to the Assets Transfer Agreement I after the fulfilment of the conditions precedent as set out in the Assets Transfer Agreement I
“Completion Date II”	such date as agreed by the parties to the Assets Transfer Agreement II after the fulfilment of the conditions precedent as set out in the Assets Transfer Agreement II
“Completion Date III”	such date as agreed by the parties to the Assets Transfer Agreement III after the fulfilment of the conditions precedent as set out in the Assets Transfer Agreement III
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration I”	the consideration payable by the Company to Changre Group for the Proposed Acquisition I
“Consideration II”	the consideration payable by Yatai Heating to Changre Group for the Proposed Acquisition II
“Consideration III”	the consideration payable by the Company to Jilin Heating for the Proposed Acquisition III
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder Group”	Changre Group and its subsidiaries (other than the Group)
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	domestic Share(s), which are subscribed for in RMB and held by PRC nationals or PRC incorporated entities, and are not listed or traded on any stock exchange
“Domestic Shareholder(s)”	holder(s) of Domestic Share(s)
“EGM”	the first extraordinary general meeting of 2025 to be held by the Company on Wednesday, 10 September 2025 to consider, and it thought fit, approve, among others, each of the Assets Transfer Agreements and the transactions contemplated thereunder

DEFINITIONS

“First Supplemental Assets Transfer Agreement I”	the first supplemental agreement to the Original Assets Transfer Agreement I dated 31 July 2025 and entered into between the Company and Changre Group
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	overseas listed foreign Share(s), which are subscribed for and traded in HK\$ and listed on the Main Board of the Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shareholder(s)”	holder(s) of the H Share(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, namely Ms. Zhang Yan, Ms. Du Jie and Mr. Chan Sing Fai and formed to advise the Independent Shareholders in relation to each of the Assets Transfer Agreements and the transactions contemplated thereunder
“Independent Financial Adviser”	Giraffe Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), which has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of each of the Assets Transfer Agreements and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) who is/are not required under the Listing Rules to abstain from voting on the resolutions for approving, among others, each of the Assets Transfer Agreements and the transactions contemplated thereunder at the EGM
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Jilin Heating”	Jilin Province Heating Group Co., Ltd.* (吉林省熱力集團有限公司), a wholly-owned subsidiary of Changre Group
“Jilin University”	Jilin University (吉林大學), a public university in Changchun, Jilin, the PRC

DEFINITIONS

“Latest Practicable Date”	20 August 2025, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Original Assets Transfer Agreement I”	the assets transfer agreement dated 16 June 2025 and entered into between the Company and Changre Group
“Original Assets Transfer Agreement II”	the assets transfer agreement date 16 June 2025 and entered into between Yatai Heating and Changre Group
“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Acquisition I”	the proposed acquisition of the Target Assets I by the Company from Changre Group pursuant to the terms and conditions of the Assets Transfer Agreement I
“Proposed Acquisition II”	the proposed acquisition of the Target Assets II by Yatai Heating from Changre Group pursuant to the terms and conditions of the Assets Transfer Agreement II
“Proposed Acquisition III”	the proposed acquisition of the Target Assets III by the Company from Jilin Heating pursuant to the terms and conditions of the Assets Transfer Agreement III
“Proposed Acquisitions”	collectively, the Proposed Acquisition I, the Proposed Acquisition II and the Proposed Acquisition III
“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Assets Transfer Agreement I”	the second supplemental agreement to the Original Assets Transfer Agreement I (as amended and supplemented by the First Supplemental Assets Transfer Agreement I) dated 15 August 2025 and entered into between the Company and Changre Group
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	the Domestic Share(s) and the H Share(s) of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Assets Transfer Agreement II”	the supplemental agreement to the Original Assets Transfer Agreement II dated 15 August 2025 and entered into between Yatai Heating and Changre Group
“Target Assets”	collectively, the Target Assets I, the Target Assets II and the Target Assets III
“Target Assets I”	certain land, machineries and equipment, pipe networks and vehicle of Changre Group’s Dongsheng Boiler Room, Jingyi Boiler Room and Jilin University Nanling Campus Boiler Room which are currently used by Changre Group for heat production purposes and to be acquired by the Company pursuant to the terms and conditions of the Assets Transfer Agreement I
“Target Assets II”	certain machineries and equipment of Changre Group’s Lvyuan Business Division and Yongchun Business Division which are currently used by Changre Group for heat production purposes and to be acquired by Yatai Heating pursuant to the terms and conditions of the Assets Transfer Agreement II
“Target Assets III”	certain machineries and equipment currently used by Jilin Heating for heat production purposes and to be acquired by the Company pursuant to the terms and conditions of the Assets Transfer Agreement III
“Valuation Date” or “appraisal benchmark date”	17 March 2025
“Valuer”	Jilin Province Gongjian Weiye Real Estate Appraisal Co., Ltd.* (吉林省共建偉業房地產估價有限責任公司), an independent valuer
“Yatai Heating”	Changchun Yatai Heating Company Limited* (長春亞泰熱力有限責任公司), a limited liability company established in the PRC on 30 October 1998 and is a wholly-owned subsidiary of the Company. Yatai Heating is principally engaged in the heat services business
“%”	per cent.

* For identification purposes only



Jilin Province Chuncheng Heating Company Limited*

吉林省春城热力股份有限公司

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

(Stock code: 1853)

Executive Directors:

Mr. Zhang Liming (*Vice Chairman of the Board*)
Mr. Xu Chungang

Non-executive Directors:

Mr. Song Chi (*Chairman of the Board*)
Mr. Yang Zhongshi
Mr. Shi Mingjun

Independent non-executive Directors:

Ms. Zhang Yan
Ms. Du Jie
Mr. Chan Sing Fai

Employee Director:

Mr. Qiu Jianhua

Registered office in the PRC:

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

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

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

Principal place of business in Hong Kong:

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

25 August 2025

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR AND CONNECTED TRANSACTION:
ACQUISITION OF ASSETS;**

AND

(2) NOTICE OF THE FIRST EGM OF 2025

I. INTRODUCTION

Reference is made to the announcements of the Company dated 16 June 2025, 31 July 2025 and 15 August 2025 in relation to, among others, the Proposed Acquisitions.

The purpose of this circular is to provide you with, among other things, (i) further details of the Assets Transfer Agreements; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Assets Transfer Agreements; (iii) the letter from the

* *For identification purposes only*

LETTER FROM THE BOARD

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Assets Transfer Agreements; (iv) further information required to be disclosed under the Listing Rules; and (v) notice of the EGM.

II. THE ASSETS TRANSFER AGREEMENTS

A. The Assets Transfer Agreement I

Set out below are the major terms of the Assets Transfer Agreement I:

(i) *Date*

Date of the Original Assets Transfer Agreement I: 16 June 2025

Date of the First Supplemental Assets Transfer Agreement I: 31 July 2025

Date of the Second Supplemental Assets Transfer Agreement I: 15 August 2025

(ii) *Parties*

(a) The Company, as the purchaser

(b) Changre Group, as the vendor

(iii) *Assets to be acquired*

Pursuant to the Assets Transfer Agreement I, the Company has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell, the Target Assets I, subject to the terms and conditions therein.

The Target Assets I comprise 2 land parcels (with 3 sets of land ownership certificates) (the “**Target Land**”), 2 pipes and trenches, 385 machineries and equipment and electronic equipment and 1 vehicle which are currently located in Changre Group’s Dongsheng Boiler Room, Changre Group’s Jingyi Boiler Room and Jilin University Nanling Campus Boiler Room.

According to the information provided by Changre Group, the net book value of the Target Assets I amounted to RMB45,345,755.59 as at the Valuation Date.

Among the Target Assets I, (a) 2 pipes and trenches, 300 machineries and equipment and 31 electronic equipment which are currently located in Changre Group’s Dongsheng Boiler Room and Jingyi Boiler Room are situated in buildings owned by Changre Group on the Target Land (the “**Changre Group Buildings I**”). The Changre Group Buildings I have a total GFA of approximately 16,935.7 sq.m. and are situated on the Target Land. The Target Land which form part of the Target Assets I comprise 2 land parcels (with 3 sets of land ownership certificates), namely (i) a land parcel located at Huairen Road, Er Dao District, Changchun City, Jilin Province, the PRC; and (ii) a

LETTER FROM THE BOARD

land parcel located at the North of Nanhuan Road & Weixing Road, Jingyue Development District, Changchun City, Jilin Province, the PRC; and (b) 23 machineries and equipment, 31 electronic equipment and 1 vehicle are currently located in the Jilin University Nanling Campus Boiler Room which is situated on land and buildings owned by Jilin University.

Pursuant to the “Centralized Heating and Grid Connection Agreement” (集中供熱併網協議) (the “**Centralized Heating and Grid Connection Agreement**”) entered into between Jilin University and the Company dated 27 June 2024, during the term of the Centralized Heating and Grid Connection Agreement, the Company has been granted a right to use the land and the buildings of the Jilin University Nanling Campus Boiler Room at nil consideration. The Centralized Heating and Grid Connection Agreement is an agreement for an indefinite duration and shall be valid for a long term from the date of execution unless as otherwise terminated due to force majeure factors or legal or policy requirements.

Pursuant to the terms of the Assets Transfer Agreement I, Changre Group agrees and confirms that upon completion of the Proposed Acquisition I, the Company shall be granted a right of use of the Changre Group Buildings I and the related structures at nil consideration for an indefinite period. Changre Group shall indemnify the Company in the event the Company is unable to use the Changre Group Buildings I and the related structures or incurs any loss thereto due to reasons attributable to Changre Group. The parties shall enter into an agreement to finalize the details of the indemnity within 30 days upon the Company’s notification of such loss to Changre Group.

Changre Group undertakes that the ownership rights to the Target Assets I are clear and belong to Changre Group and the Target Assets I are free from any pledges, legal disputes or ownership defects and are the legitimate assets of Changre Group.

In the event where any of the Target Assets I has ownership defects or its right of use is being restricted due to reasons attributable to Changre Group, Changre Group has undertaken to resolve such issue unconditionally. Changre Group shall indemnify the Company for any losses suffered from ownership defects. It is further agreed that the parties shall enter into an agreement to finalize the details of the indemnity within 30 days upon the Company’s notification of such loss to Changre Group.

(iv) Consideration

The Consideration I for the Proposed Acquisition I is RMB113,930,021.65, which shall be satisfied by the Company in cash on the Completion Date I.

LETTER FROM THE BOARD

The Consideration I has been arrived at after arm's length negotiations between the Company and Changre Group with reference to the total appraised value of the Target Assets I of RMB113,930,021.65 as at the Valuation Date as stated in the assets valuation report prepared by the Valuer, using the cost method. The Group intends to finance the Consideration I by its existing internal resources.

Set out below are further information on the valuation of the Target Assets I:

(a) *Valuation of fixed assets — machinery and equipment*

This type of assets is appraised and calculated using the cost approach. The cost approach refers to appraisal approaches in which the replacement cost of the appraised asset is first estimated and then depreciation factors already present in the appraised asset are estimated and deducted from the replacement cost to arrive at the value of the appraised asset.

Appraised value = replacement cost × integrated newness rate

For standard machineries and equipment, their tax-exclusive price is determined by combining the original book value with the price growth index, and their replacement cost is determined based on the transportation and miscellaneous costs, installation and commissioning fee and cost of necessary auxiliary parts to bring the equipment to the condition ready for use, and construction preliminary costs and other expenses and capital cost calculated based on the current market fee rates in the region where the appraised assets are located.

Replacement cost = tax-exclusive price × (1 + transportation and miscellaneous costs rate + installation and commissioning fee rate + basic fee rate) × (1 + preliminary and other expenses rate) × (1 + capital cost rate)

Machinery and equipment assets include a total of 386 items such as machinery and equipment, vehicle, and electronic equipment. Specifically, there are 323 machinery and equipment, 1 vehicle, and 62 electronic equipment. The total appraised value amounted to RMB48,718,469.73.

The replacement cost of machinery and equipment assets ranges from RMB298 to RMB12,978,255.53.

In determining the integrated newness rate, the Valuer takes into account the economic life and the used life of the appraisal subjects. The economic life of the appraisal subjects ranges from 8 to 15 years, and the used life ranges from 0.25 to 23.23 years. The integrated newness rate adopted by the Valuer in the appraisal process of fixed assets — machinery and equipment ranges from 15% to 96%.

LETTER FROM THE BOARD

During the appraisal process, the newness rate by useful life approach adopted by the Valuer is the theoretical newness rate, without taking into account the actual asset condition of the appraisal subjects. This limitation can be resolved by combining the newness rate determined by the survey method, which reflects the actual condition of the assets. Therefore, the weight of the newness rate determined by the survey method is greater in the appraisal process. Some assets have exceeded their economic life, resulting in a theoretically negative newness rate by useful life approach. In the daily production process of enterprises, the maintenance of relevant assets ensures that assets that have exceeded their useful life can still be used normally. Therefore, in this appraisal process, the weighted and integrated newness rate is adopted as the final newness rate of the assets for calculation.

For equipment that has reached its economic life but remains in normal use, the Valuer adopted a 15% integrated newness rate, which aligns with the industry norm developed based on previous Notice on Forwarding the Opinions on the Operating Procedure for Asset Appraisal (for Trial Implementation) (No. 23 [1996] of the Office of the State-owned Assets Administration Bureau)* (國資辦發[1996]23號國家國有資產管理局關於轉發《資產評估操作規範意見(試行)》的通知), which stipulated that the newness rate of assets under normal operation should not be less than 15% and that the appraised value should not fall below 15% of the replacement cost.

Please refer to Appendix II to this circular for further information.

(b) *Valuation of intangible assets — land use rights*

This type of assets is appraised by using the Benchmark Land Price Coefficient Correction Method. The Benchmark Land Price Coefficient Correction Method is a derivative method of the market approach which compares and adjusts the assessed property against the average land price corresponding to the benchmark land price to obtain the value of the assessed property. The Benchmark Land Price Coefficient Correction Method is a publicized land price with certain stage characteristics. The current applicable land price document in Changchun is the Notice of the People's Government of Changchun on the Announcement and Implementation the Benchmark Land Price and Other Land Prices in Urban Area of Changchun (Document titled Chang Fu Fa No. [2024]10) (《長春市人民政府關於公佈實施長春市區基準地價等土地價格的通知》(長府發[2024]10號文件)). This document was released on 21 August 2024 and the appraisal benchmark date is 1 January 2023. It meets the requirements for application in terms of time and has a complete benchmark land price correction system, making it highly operational. The benchmark land price is highly applicable both theoretically and operationally. Therefore, the Benchmark Land Price Coefficient Correction Method is adopted as the calculation method for this appraisal.

LETTER FROM THE BOARD

The Benchmark Land Price Coefficient Correction Method utilizes the valuation results such as the urban benchmark land price and the benchmark land price correction coefficient table. According to the principle of substitution, it compares the regional conditions and individual conditions of the subject land with the average conditions of the region where it is located, and selects the corresponding correction coefficient in accordance with the correction coefficient table to correct the benchmark land price, thereby obtaining the price of the subject land on the appraisal benchmark date.

The basic formula is:

Land price = (benchmark land price \pm correction value of level of land development) \times (1 + land price correction coefficient of the land parcel) \times correction coefficient of plot ratio \times correction coefficient of tenure \times correction coefficient of the appraisal benchmark date \times correction coefficient of special factors

Intangible assets — land use rights include a total of 3 sets of land ownership certificates. The appraised value amounted to RMB65,079,666.

Please refer to Appendix II to this circular for further information.

(c) *Differences between the appraised value and carrying amount of the Target Assets I*

The total net book value of the Target Assets I amounted to RMB45,345,755.59 and the appraised value of the Target Assets I as at the Valuation Date amounted to RMB113,930,021.65, representing an appraisal added value of RMB68,584,266.06 or an added value rate of 151.25%.

The appraised added value was mainly attributable to:

- (a) the increase in the appraised net value of machinery and equipment comprising the Target Assets I, which was mainly due to the fact that the depreciation period provided by the enterprise for some machinery and equipment assets is shorter than the economic life of the machinery and equipment, resulting in the increase in the appraised net value;
- (b) the increase in the appraised value of intangible assets comprising the Target Assets I as compared to their carrying amount, which was mainly due to the fact that the enterprise amortizes all intangible assets. During the appraisal, the amortization and depreciation of intangible assets are not taken into account since the appraisal subject is an intangible asset.

LETTER FROM THE BOARD

Moreover, the enterprise has acquired the land for a relatively long time. As at the appraisal benchmark date, the land appreciated significantly, resulting in the increase in the appraised value; and

- (c) the increase in the appraised net value of electronic equipment of the Jingyi Boiler Room and Jilin University Nanling Campus Boiler Room, which was mainly due to the fact that the greater value of electronic equipment was attributable to the production support equipment such as instruments and meters, which had been acquired for a longer period of time, and the depreciation period provided by the enterprise for these electronic equipment assets was shorter than the economic life of the electronic equipment, resulting in the increase in the appraised net value.

A detailed analysis of the reasons for the difference between the appraised value and carrying amount of the Target Assets I is set out on Pg. II-23 to II-25 of this circular. Having considered the aforementioned analysis and having taking into account the valuation methods and assumptions adopted by the Valuer and that the valuation was carried out in accordance with applicable laws, rules and regulations, the Board considered that the appraised value of the Target Assets I, including the appraisal added value of RMB68,584,266.06 for the Target Assets I is fair and reasonable.

Please refer to Appendix II to this circular for further information.

Having considered the factors taken into account by the parties in arriving at the Consideration I, the appraised value of the Target Assets I, including the appraisal added value of RMB68,584,266.06 for the Target Assets I and the valuation methods and assumptions adopted by the Valuer, details of which are set out in Appendix II to this circular, the Directors (excluding (a) Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting; and (b) the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” in this circular) are of the view that the Consideration I is fair and reasonable and the Proposed Acquisition I is in the interests of the Company and the Shareholders as a whole.

(v) *Conditions precedent*

Completion of the Proposed Acquisition I is conditional upon the following conditions having been fulfilled:

- (a) Changre Group having completed the applicable internal decision-making procedure in respect of the Assets Transfer Agreement I and the transactions contemplated thereunder in accordance with the requirements of its articles of association;

LETTER FROM THE BOARD

- (b) the Assets Transfer Agreement I and the transactions contemplated thereunder having been approved by the Board and the Shareholders at general meeting of the Company in accordance with the requirements of the Listing Rules, the Articles of Association and applicable laws and regulations; and
- (c) (where applicable) as regards the entering into and performance of the Assets Transfer Agreement I, each of Changre Group and the Company having obtained and completed all necessary consents, approvals and filings from or with any relevant governmental or regulatory authorities in the PRC, Hong Kong or other jurisdictions.

None of the conditions above may be waived (whether in whole or in part) by either party.

(vi) *Completion*

Upon the fulfilment of all of the conditions precedent set out in the Assets Transfer Agreement I, completion of the Proposed Acquisition I shall take place on the Completion Date I.

Subject to the fulfilment of all of the conditions precedent set out in the Assets Transfer Agreement I, the Company intends to complete the Proposed Acquisition I before the commencement of the 2025–2026 heat supply period in mid-October 2025.

With effect from the Completion Date I, all interests, rights and obligations attached to the Target Assets I shall be transferred from Changre Group to the Company.

B. The Assets Transfer Agreement II

Set out below are the major terms of the Assets Transfer Agreement II:

(i) *Date*

Date of the Original Assets Transfer Agreement II: 16 June 2025

Date of the Supplemental Assets Transfer Agreement II: 15 August 2025

(ii) *Parties*

- (a) Yatai Heating, as the purchaser
- (b) Changre Group, as the vendor

LETTER FROM THE BOARD

(iii) Assets to be acquired

Pursuant to the Assets Transfer Agreement II, Yatai Heating has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell, the Target Assets II, subject to the terms and conditions therein.

The Target Assets II comprise 326 machineries and equipment of Changre Group's Lvyuan Business Division and Yongchun Business Division which are currently used by Changre Group for heat production purposes. According to the information provided by Changre Group, the book value of the Target Assets II amounted to RMB12,921,402.21 as at the Valuation Date.

The Target Assets II situate in buildings owned by Changre Group (the "**Changre Group Buildings II**"). The Changre Group Buildings II have a total GFA of 19,353.4 sq.m. and are situated on two land parcels, namely (a) a land parcel located at Lv Yuan District, Changchun City, Jilin Province, the PRC; and (b) a land parcel located at Xixi and Siwu Community, Nangan District, Changchun City, Jilin Province, the PRC. Pursuant to the Assets Transfer Agreement II, upon completion of the Proposed Acquisition II, Yatai Heating will be granted a right of use of the Changre Group Buildings II and the related structures at nil consideration for an indefinite period. Changre Group shall indemnify Yatai Heating in the event Yatai Heating is unable to use the Changre Group Buildings II and the related structures or incurs any loss thereto due to reasons attributable to Changre Group. The parties shall enter into an agreement to finalize the details of the indemnity within 30 days upon Yatai Heating's notification of such loss to Changre Group.

Changre Group undertakes that the ownership rights to the Target Assets II are clear and belong to Changre Group and the Target Assets II are free from any pledges, legal disputes or ownership defects and are the legitimate assets of Changre Group.

In the event where any of the Target Assets II has ownership defects or its right of use is being restricted due to reasons attributable to Changre Group, Changre Group has undertaken to resolve such issue unconditionally. Changre Group shall indemnify Yatai Heating for any losses suffered from ownership defects. It is further agreed that the parties shall enter into an agreement to finalize the details of the indemnity within 30 days upon Yatai Heating's notification of such loss to Changre Group.

LETTER FROM THE BOARD

(iv) *Consideration*

The Consideration II for the Proposed Acquisition II is RMB16,457,865.00, which shall be satisfied by Yatai Heating in cash on the Completion Date II.

The Consideration II has been arrived at after arm's length negotiations between Yatai Heating and Changre Group with reference to the total appraised value of the Target Assets II of RMB16,457,865.00 as at the Valuation Date as stated in the assets valuation report prepared by the Valuer, using the cost method. The Group intends to finance the Consideration II by its existing internal resources.

Set out below are further information on the valuation of the Target Assets II:

(a) *Valuation of fixed assets — machinery and equipment*

This type of assets is appraised and calculated using the cost approach. The cost approach refers to appraisal approaches in which the replacement cost of the appraised asset is first estimated and then depreciation factors already present in the appraised asset are estimated and deducted from the replacement cost to arrive at the value of the appraised asset.

Appraised value = replacement cost × integrated newness rate

For standard machineries and equipment, their tax-exclusive price is determined by combining the original book value with the price growth index, and their replacement cost is determined based on the transportation and miscellaneous costs, installation and commissioning fee and cost of necessary auxiliary parts to bring the equipment to the condition ready for use, and construction preliminary costs and other expenses and capital cost calculated based on the current market fee rates in the region where the appraised assets are located.

Replacement cost = tax-exclusive price × (1 + transportation and miscellaneous costs rate + installation and commissioning fee rate + basic fee rate) × (1 + preliminary and other expenses rate) × (1 + capital cost rate)

Machinery and equipment assets include a total of 326 items such as machinery and equipment and electronic equipment. Specifically, there are 321 machinery and equipment and 5 electronic equipment. The total appraised net value amounted to RMB16,457,865.

The replacement cost of machinery and equipment assets ranges from RMB264 to RMB5,277,955.00.

LETTER FROM THE BOARD

In determining the integrated newness rate, the Valuer takes into account the economic life and the used life of the appraisal subjects. The economic life of the appraisal subjects ranges from 8 to 15 years, and the used life ranges from 1.21 to 39.23 years. The integrated newness rate adopted by the Valuer in the appraisal process of fixed assets — machinery and equipment ranges from 15% to 93%.

During the appraisal process, the newness rate by useful life approach adopted by the Valuer is the theoretical newness rate, without taking into account the actual asset condition of the appraisal subjects. This limitation can be resolved by combining the newness rate determined by the survey method, which reflects the actual condition of the assets. Therefore, the weight of the newness rate determined by the survey method is greater in the appraisal process. Some assets have exceeded their economic life, resulting in a theoretically negative newness rate by useful life approach. In the daily production process of enterprises, the maintenance of relevant assets ensures that assets that have exceeded their useful life can still be used normally. Therefore, in this appraisal process, the weighted and integrated newness rate is adopted as the final newness rate of the assets for calculation.

For equipment that has reached its economic life but remains in normal use, the Valuer adopted a 15% integrated newness rate, which aligns with the industry norm developed based on previous Notice on Forwarding the Opinions on the Operating Procedure for Asset Appraisal (for Trial Implementation) (No. 23 [1996] of the Office of the State-owned Assets Administration Bureau)* (國資辦發[1996]23號國家國有資產管理局關於轉發《資產評估操作規範意見(試行)》的通知), which stipulated that the newness rate of assets under normal operation should not be less than 15% and that the appraised value should not fall below 15% of the replacement cost.

Please refer to Appendix III to this circular for further information.

(b) *Differences between the appraised value and carrying amount of the Target Assets II*

The total net book value of the Target Assets II amounted to RMB12,921,402.21 and the appraised value of the Target Assets II as at the Valuation Date amounted to RMB16,457,865.00, representing an appraisal added value of RMB3,536,462.79 or an added value rate of 27.37%.

LETTER FROM THE BOARD

The appraised added value was mainly attributable to:

- (a) the increase in the appraised net value of machinery and equipment comprising the Target Assets II, which was mainly due to the fact that the depreciation period provided by the enterprise for some machinery and equipment assets is shorter than the economic life of the machinery and equipment, resulting in the increase in the appraised net value; and
- (b) the increase in the appraised net value of electronic equipment for the Yongchun Business Division, which was mainly due to the fact that the greater value of electronic equipment was attributable to the production support equipment such as instruments and meters, which had been acquired for a longer period of time, and the depreciation period provided by the enterprise for these electronic equipment assets was shorter than the economic life of the electronic equipment, resulting in the increase in the appraised net value.

A detailed analysis of the reasons for the difference between the appraised value and carrying amount of the Target Assets II is set out on Pg. III-19 of this circular. Having considered the aforementioned analysis and having taking into account the valuation methods and assumptions adopted by the Valuer and that the valuation was carried out in accordance with applicable laws, rules and regulations, the Board considered that the appraised value of the Target Assets II, including the appraisal added value of RMB3,536,462.79 is fair and reasonable.

Please refer to Appendix III to this circular for further information.

Having considered the factors taken into account by the parties in arriving at the Consideration II, the appraised value of the Target Assets II, including the appraisal added value of RMB3,536,462.79 and the valuation methods and assumptions adopted by the Valuer, details of which are set out in Appendix III to this circular, the Directors (excluding (a) Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting; and (b) the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” in this circular) are of the view that the Consideration II is fair and reasonable and the Proposed Acquisition II is in the interests of the Company and the Shareholders as a whole.

(v) *Conditions precedent*

Completion of the Proposed Acquisition II is conditional upon the following conditions having been fulfilled:

LETTER FROM THE BOARD

- (a) Changre Group having completed the applicable internal decision-making procedure in respect of the Assets Transfer Agreement II and the transactions contemplated thereunder in accordance with the requirements of its articles of association;
- (b) the Assets Transfer Agreement II and the transactions contemplated thereunder having been approved by the board of directors of Yatai Heating, the Board and the Shareholders at general meeting of the Company in accordance with the requirements of the Listing Rules, the Articles of Association and applicable laws and regulations; and
- (c) (where applicable) as regards the entering into and performance of the Assets Transfer Agreement II, each of Changre Group and Yatai Heating having obtained and completed all necessary consents, approvals and filings from or with any relevant governmental or regulatory authorities in the PRC, Hong Kong or other jurisdictions.

None of the conditions above may be waived (whether in whole or in part) by either party.

(vi) *Completion*

Upon the fulfilment of all of the conditions precedent set out in the Assets Transfer Agreement II, completion of the Proposed Acquisition II shall take place on the Completion Date II.

Subject to the fulfilment of all of the conditions precedent set out in the Assets Transfer Agreement II, Yatai Heating intends to complete the Proposed Acquisition II before the commencement of the 2025–2026 heat supply period in mid-October 2025.

With effect from the Completion Date II, all interests, rights and obligations attached to the Target Assets II shall be transferred from Changre Group to Yatai Heating.

C. The Assets Transfer Agreement III

Set out below are the major terms of the Assets Transfer Agreement III:

(i) *Date*

16 June 2025

(ii) *Parties*

- (a) The Company, as the purchaser

LETTER FROM THE BOARD

(b) Jilin Heating, as the vendor

(iii) *Assets to be acquired*

Pursuant to the Assets Transfer Agreement III, the Company has conditionally agreed to purchase, and Jilin Heating has conditionally agreed to sell, the Target Assets III, subject to the terms and conditions therein.

The Target Assets III comprise 51 machineries and equipment currently used by Jilin Heating for heat production purposes. According to the information provided by Jilin Heating, the book value of the Target Assets III amounted to RMB212,031.89 as at the Valuation Date.

The Target Assets III are situated on Sifang Community Heating Station (四方社區供熱站). Pursuant to Changchun Municipal People's Government State-owned Assets Supervision and Administration Commission Changguozi [2020] No. 183 "Reply on the Free Transfer of Heating Assets of Changchun Tianyu Ruibang Energy Saving Technology Co., Ltd." (長春市人民政府國有資產監督管理委員會長國資[2020]183號《長春市國資委關於長春市天宇瑞邦節能科技有限公司供熱資產無償劃轉的批覆》) and the agreement entered into between Changre Group and Changchun Tianyu Ruibang Energy Saving Technology Co., Ltd. (Changchun Tianyu Ruibang Energy Saving Technology Co., Ltd.) dated 22 September 2020, the operating rights and assets of Sifang Community Heating Station shall be transferred to Changre Group and all machinery and equipment thereon shall be owned by Changre Group. As such, Changre Group has the right to use the land of the Sifang Community Heating Station (the "Sifang Land").

Pursuant to the Assets Transfer Agreement III, upon completion of the Proposed Acquisition III, the Company will be granted a right of use of the premises which the Target Assets III currently situate on at nil consideration for an indefinite period. Jilin Heating shall indemnify the Company in the event the Company is unable to use the Sifang Land or incurs any loss thereto due to reasons attributable to Jilin Heating. The parties shall enter into an agreement to finalize the details of the indemnity within 30 days upon the Company's notification of such loss to Jilin Heating.

Jilin Heating undertakes that the ownership rights to the Target Assets III are clear and belong to Jilin Heating and the Target Assets III are free from any pledges, legal disputes or ownership defects and are the legitimate assets of Jilin Heating.

In the event where any of the Target Assets III has ownership defects or its right of use is being restricted due to reasons attributable to Jilin Heating, Jilin Heating has undertaken to resolve such issue unconditionally. Jilin Heating shall indemnify the Company for any losses suffered from ownership defects. Jilin Heating further agrees that it shall enter into an agreement with the Company to finalize the details of the indemnity within 30 days upon the Company's notification of such loss to Jilin Heating.

LETTER FROM THE BOARD

(iv) *Consideration*

The Consideration III for the Proposed Acquisition III is RMB475,980.76, which shall be satisfied by the Company in cash on the Completion Date III.

The Consideration III has been arrived at after arm's length negotiations between the Company and Jilin Heating with reference to the total appraised value of the Target Assets III of RMB475,980.76 as at the Valuation Date as stated in the assets valuation report prepared by the Valuer, using the cost method. The Group intends to finance the Consideration III by its existing internal resources.

Set out below are further information on the valuation of the Target Assets III:

(a) *Valuation of fixed assets — machinery and equipment*

This type of assets is appraised and calculated using the cost approach. The cost approach refers to appraisal approaches in which the replacement cost of the appraised asset is first estimated and then depreciation factors already present in the appraised asset are estimated and deducted from the replacement cost to arrive at the value of the appraised asset.

Appraised value = replacement cost × integrated newness rate

For standard machineries and equipment, their tax-exclusive price is determined by combining the original book value with the price growth index, and their replacement cost is determined based on the transportation and miscellaneous costs, installation and commissioning fee and cost of necessary auxiliary parts to bring the equipment to the condition ready for use, and construction preliminary costs and other expenses and capital cost calculated based on the current market fee rates in the region where the appraised assets are located.

Replacement cost = tax-exclusive price × (1 + transportation and miscellaneous costs rate + installation and commissioning fee rate + basic fee rate) × (1 + preliminary and other expenses rate) × (1 + capital cost rate)

Machinery and equipment assets include a total of 51 items such as machinery and equipment, and electronic equipment. Specifically, there are 48 machinery and equipment, and 3 electronic equipment. The total appraised value amounted to RMB475,980.76.

The replacement cost of machinery and equipment assets ranges from RMB392.99 to RMB300,015.44.

LETTER FROM THE BOARD

In determining the integrated newness rate, the Valuer takes into account the economic life and the used life of the appraisal subjects. The economic life of the appraisal subjects ranges from 10 to 15 years, and the used life ranges from 7.3 to 8.3 years. The integrated newness rate adopted by the Valuer in the appraisal process of fixed assets — machinery and equipment ranges from 17% to 54%.

During the appraisal process, the newness rate by useful life approach adopted by the Valuer is the theoretical newness rate, without taking into account the actual asset condition of the appraisal subjects. This limitation can be resolved by combining the newness rate determined by the survey method, which reflects the actual condition of the assets. Therefore, the weight of the newness rate determined by the survey method is greater in the appraisal process. Some assets have exceeded their economic life, resulting in a theoretically negative newness rate by useful life approach. In the daily production process of enterprises, the maintenance of relevant assets ensures that assets that have exceeded their useful life can still be used normally. Therefore, in this appraisal process, the weighted and integrated newness rate is adopted as the final newness rate of the assets for calculation.

For equipment that has reached its economic life but remains in normal use, the Valuer adopted a 15% integrated newness rate, which aligns with the industry norm developed based on previous Notice on Forwarding the Opinions on the Operating Procedure for Asset Appraisal (for Trial Implementation) (No. 23 [1996] of the Office of the State-owned Assets Administration Bureau)* (國資辦發[1996]23號國家國有資產管理局關於轉發《資產評估操作規範意見(試行)》的通知), which stipulated that the newness rate of assets under normal operation should not be less than 15% and that the appraised value should not fall below 15% of the replacement cost.

Please refer to Appendix IV to this circular for further information.

(b) *Differences between the appraised value and carrying amount of the Target Assets III*

A detailed analysis of the reasons for the difference between the appraised value and carrying amount of the Target Assets III is set out on Pg. IV-17 to IV-18 of this circular. Having considered the aforementioned analysis and having taking into account the valuation methods and assumptions adopted by the Valuer and that the valuation was carried out in accordance with applicable laws, rules and regulations, the Board considered that the appraised value of the Target Assets III, including the appraisal added value of RMB263,948.87 is fair and reasonable.

Please refer to Appendix IV to this circular for further information.

LETTER FROM THE BOARD

Having considered the factors taken into account by the parties in arriving at the Consideration III, the appraised value of the Target Assets III, including the appraisal added value of RMB263,948.87 and the valuation methods and assumptions adopted by the Valuer, details of which are set out in Appendix IV to this circular, the Directors (excluding (a) Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting; and (b) the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” in this circular) are of the view that the Consideration III is fair and reasonable and the Proposed Acquisition III is in the interests of the Company and the Shareholders as a whole.

(v) *Conditions precedent*

Completion of the Proposed Acquisition III is conditional upon the following conditions having been fulfilled:

- (a) Jilin Heating having completed the applicable internal decision-making procedure in respect of the Assets Transfer Agreement III and the transactions contemplated thereunder in accordance with the requirements of its articles of association;
- (b) the Assets Transfer Agreement III and the transactions contemplated thereunder having been approved by the Board and the Shareholders at general meeting of the Company in accordance with the requirements of the Listing Rules, the Articles of Association and applicable laws and regulations; and
- (c) (where applicable) as regards the entering into and performance of the Assets Transfer Agreement III, each of Jilin Heating and the Company having obtained and completed all necessary consents, approvals and filings from or with any relevant governmental or regulatory authorities in the PRC, Hong Kong or other jurisdictions.

None of the conditions above may be waived (whether in whole or in part) by either party.

(vi) *Completion*

Upon the fulfilment of all of the conditions precedent set out in the Assets Transfer Agreement III, completion of the Proposed Acquisition III shall take place on the Completion Date III.

Subject to the fulfilment of all of the conditions precedent set out in the Assets Transfer Agreement III, the Company intends to complete the Proposed Acquisition III before the commencement of the 2025–2026 heat supply period in mid-October 2025.

LETTER FROM THE BOARD

With effect from the Completion Date III, all interests, rights and obligations attached to the Target Assets III shall be transferred from Jilin Heating to the Company.

III. REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITIONS

The Company is mainly engaged in heating service business and the Controlling Shareholder Group also engages in, among others, heat production and supply, where the Group has been procuring heat from the Controlling Shareholder Group pursuant to the 2024–2026 Heat Procurement Framework Agreement (Changre Group) which constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Proposed Acquisitions involve the acquisition of the Target Assets which are used for heat production purposes by the Group from the Controlling Shareholder Group. The Target Assets mainly comprise assets relating to the production of heat energy but do not comprise major supporting and ancillary assets. Given the Company has the relevant heat supply licence, it is expected that upon completion of the Proposed Acquisitions, the Group could utilize the Target Assets together with the Group's existing heat pipelines and other supporting and ancillary assets to expand the Group's heat production capacity. Upon completion of the Proposed Acquisitions, the Target Assets will be solely operated, maintained and supervised by the Group's employees. Pursuant to the Assets Transfer Agreements, upon completion of the Proposed Acquisitions, the Group will be granted a right of use of the premises which the Target Assets currently situate on at nil consideration. As such, upon completion of the Proposed Acquisitions, the Group would be able to operate the Target Assets without the need to re-locate them from the existing premises.

The Company is of the view that the Proposed Acquisitions would bring the following benefits to the Group:

- (a) the Proposed Acquisitions would facilitate the integration of heat production resources between the Group and the Controlling Shareholder Group, minimize internal competition between the Group and the Controlling Shareholder Group and enhance uniform management and facilitate operational adjustments.
- (b) the Proposed Acquisitions enable the optimization of resources which in turn improves the quality of the Company as a listed company and enhances its independence from the Controlling Shareholder Group. If the Proposed Acquisitions materialize, it is currently expected that the Group could reduce the amount of continuing connected transactions with the Controlling Shareholder Group by approximately RMB100 million for the year ending 31 December 2026 thereby minimizing the reliance of the Group on the Controlling Shareholder Group which is in line with the regulatory requirements for independence of listed companies from its controlling shareholder;
- (c) given the Target Assets are located in the Group's core markets for heat supply, the Proposed Acquisitions enable the Group to realize the upgrading of its strategic layout, improve its heating industry supply chain and enhance the market competitiveness of the

LETTER FROM THE BOARD

Group's main business segment. It is currently expected that upon completion of the Proposed Acquisitions, the Group will be able to increase its production capacity and scale of heat production business; and

- (d) the Proposed Acquisitions enable the Group to secure stable heat source for its heat production business.

Based on the above, the Directors (excluding (a) Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting; and (b) the independent non-executive Directors whose view is set out in the section headed "Letter from the Independent Board Committee" in this circular) consider that the terms of each of the Assets Transfer Agreements are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

IV. FURTHER INFORMATION ON THE COMPANY, YATAI HEATING, CHANGRE GROUP AND JILIN HEATING

The Company is a China-based company mainly engaged in heating service business. The Company 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 Company mainly conducts its business in the Chinese domestic market.

Yatai Heating is 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 which adopts a heating supply method which combines the purchase of heat from cogeneration plants and coal-fired boilers.

Changre Group is a state-owned company established on 28 April 1998 in Changchun City, the PRC, and is wholly-owned by the State-owned Assets Supervision and Administration Commission of Changchun (長春市人民政府國有資產監督管理委員會). Changre Group and its subsidiaries are mainly engaged in property management, water supply, pipeline manufacturing, heat production and supply, sale of industrial steam and financial investments.

Jilin Heating is a limited liability company established in the PRC on 26 December 2016 and is a wholly-owned subsidiary of Changre Group. Jilin Heating is principally engaged in heat production and supply.

V. LISTING RULES IMPLICATIONS

Given that (i) Changre 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 Assets Transfer Agreements, Changre Group is a connected person of the Company; and (ii) Jilin Heating,

LETTER FROM THE BOARD

being a wholly-owned subsidiary of Changre Group, is a connected person of the Company, each of the Proposed Acquisitions constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

(a) The Proposed Acquisition I

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition I on a standalone basis exceed(s) 5% but all of them are less than 25%, the Proposed Acquisition I constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules on a standalone basis and is therefore subject to the reporting and announcement requirements thereunder.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition I exceed(s) 5%, the Proposed Acquisition I is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(b) The Proposed Acquisition II

As all of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition II on a standalone basis are below 5%, the Proposed Acquisition II does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules on a standalone basis.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition II exceed(s) 0.1% but all of them are less than 5%, the Proposed Acquisition II is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

(c) The Proposed Acquisition III

As all of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition III on a standalone basis are below 5%, the Proposed Acquisition III does not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules on a standalone basis.

As all of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition III on a standalone base are below 0.1%, the Proposed Acquisition III on a standalone base is fully exempted from the reporting, announcement, circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

(d) The Proposed Acquisitions on an aggregated basis

Pursuant to Chapters 14 and 14A of the Listing Rules, the transactions contemplated under the Assets Transfer Agreements shall be aggregated because all the agreements are entered into by the Group and the Controlling Shareholder Group within a 12-month period and all the transactions involve the acquisition of assets which were used by the Controlling Shareholder Group for heat production purposes.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisitions on an aggregated basis exceed(s) 5% but all of them are less 25%, the Proposed Acquisitions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules on an aggregated basis and are therefore subject to the reporting and announcement requirements thereunder.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisitions on an aggregated basis exceed(s) 5%, the Proposed Acquisitions on an aggregated basis is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(e) The Proposed Acquisitions and the 2024 Assets Transfer Agreement on an aggregated basis

Reference is made to the Company's circular dated 9 December 2024 and announcement dated 15 January 2025 in relation to the 2024 Assets Transfer Agreement.

Pursuant to Chapters 14 and 14A of the Listing Rules, the transactions contemplated under the 2024 Assets Transfer Agreement and the Assets Transfer Agreements shall be aggregated because all the agreements are entered into by the Group and the Controlling Shareholder Group within a 12-month period and all the transactions involve the acquisition of assets which were used by the Controlling Shareholder Group for heat production purposes.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisitions and the 2024 Acquisition on an aggregated basis exceed(s) 25% but all of them are less than 100%, the Proposed Acquisitions when aggregated with the 2024 Acquisition constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement and shareholders' approval requirements thereunder.

As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisitions and the 2024 Acquisition, on an aggregated basis, exceed(s) 5%, the Proposed Acquisitions when aggregated with the 2024 Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

VI. THE EGM

The Company will convene the EGM at 9 a.m. on Wednesday, 10 September 2025 at Conference Room 711, 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 EGM. A form of proxy has been dispatched (if requested) to the Shareholders in accordance with the Listing Rules on 25 August 2025. The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you intend to attend and/or vote at the EGM, 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 EGM, 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 EGM 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 EGM should you so wish.

VII. VOTING BY POLL AT THE EGM

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll.

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.

VIII. CLOSURE OF REGISTER OF MEMBERS AND ELIGIBILITY FOR ATTENDING AND VOTING AT THE EGM

For the purpose of determining the Shareholders' rights to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 5 September 2025 to Wednesday, 10 September 2025 (both days inclusive), during which period no transfer of the Shares will be registered.

LETTER FROM THE BOARD

The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Wednesday, 10 September 2025. Shareholders whose names appear on the register of members of the Company on Wednesday, 10 September 2025 shall be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents together with relevant share certificates and other appropriate documents must be lodged for registration with the head office of the Company in the PRC at No. 28, Block B, Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC (in the case of the Company's domestic Shareholders), or the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in the case of the Company's H Shareholders) no later than 4:30 p.m. on Thursday, 4 September 2025.

IX. GENERAL

The Independent Board Committee has been established to advise the Independent Shareholders as to each of the Assets Transfer Agreements and the transactions contemplated thereunder.

The Independent Financial Adviser, Giraffe Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of each of the Assets Transfer Agreements and the transactions contemplated thereunder.

Shareholders who have a material interest are required to abstain from voting in respect of the resolutions in respect of each of the Assets Transfer Agreements and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, Changre Group held 325,500,000 Domestic Shares, representing approximately 69.75% of the total share capital of the Company. Changre Group and its associates will abstain from voting on the resolutions to be proposed at the EGM in respect of each of the Assets Transfer Agreements and the transactions contemplated thereunder.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting in respect of the resolutions in respect of each of the Assets Transfer Agreements and the transactions contemplated thereunder at the EGM.

X. RECOMMENDATIONS

The Directors (excluding (a) Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting; and (b) the independent non-executive Directors whose view is set out in the section headed "Letter from the Independent Board Committee" in this circular) consider that the terms of each of the Assets Transfer Agreements are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding (a) Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting; and (b) the

LETTER FROM THE BOARD

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 resolutions to be proposed at the EGM to approve the Proposed Acquisitions.

XI. ADDITIONAL INFORMATION

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

By order of the Board
Jilin Province Chuncheng Heating Company Limited*
Song Chi
Chairman



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)

25 August 2025

To the Independent Shareholders

Dear Sir or Madam

**MAJOR AND CONNECTED TRANSACTION:
ACQUISITION OF ASSETS**

We refer to the circular issued by the Company to its Shareholders dated 25 August 2025 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

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

Having considered the terms of each of the Assets Transfer Agreements 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 while each of the Assets Transfer Agreements and the transactions contemplated thereunder are not conducted in the ordinary and usual course of business of the Group, each of the Assets Transfer Agreements 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 resolutions to be put forward at the EGM to approve each of the Assets Transfer Agreements and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
the Independent Board Committee

Ms. Zhang Yan
*Independent Non-executive
Director*

Ms. Du Jie
*Independent Non-executive
Director*

Mr. Chan Sing Fai
*Independent Non-executive
Director*

* *For identification purposes only*

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

25 August 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION ACQUISITION OF ASSETS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of each of the Assets Transfer Agreements 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 25 August 2025 (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.

On 16 June 2025, the following agreements have been entered into by the Group for the purpose of acquiring certain heat production assets from the Controlling Shareholder Group: (a) the Original Assets Transfer Agreement I entered into between the Company and Changre Group in relation to the proposed acquisition at the consideration of RMB166,487,839.71; (b) the Original Assets Transfer Agreement II entered into between Yatai Heating and Changre Group in relation to the proposed acquisition at the consideration of RMB41,710,863.00; and (c) the Assets Transfer Agreement III entered into between the Company and Jilin Heating in relation to the Proposed Acquisition III at a consideration of RMB475,980.76. On 31 July 2025, the Company and Changre Group entered into the First Supplemental Assets Transfer Agreement I to amend the scope of the target assets and the consideration. The total appraised value of the carved-out assets amounted to RMB1,803,309.98 and as a result the total consideration payable by the Company to Changre Group for the proposed acquisition I is also amended from RMB166,487,839.71 to RMB164,684,529.73. On 15 August 2025, the Company and Changre Group entered into a Second Supplemental Assets Transfer Agreement I to further amend the scope of the target assets and the consideration. Due to the carve-out of the buildings and structures, the total consideration payable by the Company to Changre Group for the Proposed Acquisition I has been amended to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RMB113,930,021.65. On 15 August 2025, Yatai Heating and Changre Group entered into the Supplemental Assets Transfer Agreement II to amend the scope of the target assets and the consideration. Due to the carve-out of the buildings and structures, the total consideration payable by Yatai Heating to Changre Group for the Proposed Acquisition II has been amended to RMB16,457,865.00.

As disclosed in the Letter from the Board, pursuant to Chapters 14 and 14A of the Listing Rules, the transactions contemplated under the 2024 Assets Transfer Agreement and the Assets Transfer Agreements shall be aggregated because all the agreements are entered into by the Group and the Controlling Shareholder Group within a 12-month period and all the transactions involve the acquisition of assets which were used by the Controlling Shareholder Group for heat production purposes. As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisitions and the 2024 Acquisition on an aggregated basis exceed(s) 25% but all of them are less than 100%, the Proposed Acquisitions when aggregated with the 2024 Acquisition constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement and shareholders' approval requirements thereunder.

Given that (i) Changre 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 Assets Transfer Agreements, Changre Group is a connected person of the Company; and (ii) Jilin Heating, being a wholly-owned subsidiary of Changre Group, is a connected person of the Company, each of the Proposed Acquisitions constitutes a connected transaction 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 Proposed Acquisitions and the 2024 Acquisition, on an aggregated basis, exceed(s) 5%, the Proposed Acquisitions when aggregated with the 2024 Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Du Jie, Mr. Chan Sing Fai, and Ms. Zhang Yan, has been formed to advise the Independent Shareholders in relation to each of the Assets Transfer Agreements 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 (i) the 2024–2026 Heat Procurement Framework Agreement (Changre Group), the 2024–2026 heat procurement framework agreement (Datang JV), the 2024–2026 construction framework agreement, and the 2024–2026 pipes supply framework agreement as detailed in the circular of the Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

dated 7 November 2023; and (ii) 2024 Assets Transfer Agreement and the loan agreement as detailed in the circular of the Company dated 9 December 2024. Notwithstanding the above engagement, as at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 13.84 of the Listing Rules, and accordingly, are qualified to act as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders considering that (i) our independent roles in the aforesaid engagements (the “**Previous Engagements**”); (ii) the aggregate professional fees paid/to be paid by the Company to us represent an insignificant portion of our revenue during the relevant period; and (iii) we have maintained our independence from the Company since the Previous Engagements, and our independence from the Company has not been compromised because of the Previous Engagements.

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

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among others, (i) the announcements of the Company dated 16 June 2025, 31 July 2025, and 15 August 2025 in relation to the Proposed Acquisitions; (ii) the terms of each of the Assets Transfer Agreements; (iii) the annual reports of the Company for the years ended 31 December 2024 (“**FY2024**”) (the “**2024 Annual Report**”) and 2023 (“**FY2023**”); (iv) the information and facts supplied by the Group; (v) the opinions expressed by and the representations of the Directors and management of the Group (the “**Management**”); and (vi) certain relevant public information, and have assumed that all such information and facts provided and any opinions and representations made to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the EGM.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its Management and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its Management and/or the Directors and the Valuer 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 independent verification and in-depth investigation into the information provided by the Company and the Valuer as well as the business and affairs of the Group, the Controlling Shareholder Group, Yatai Heating, Changre Group, Jilin Heating, 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

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 each of the Assets Transfer Agreements and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of each of the Assets Transfer Agreements and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

1.1 *Business of the Group*

As disclosed in the Letter from the Board, the Company is a China-based company mainly engaged in heating service business. The Company 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 Company mainly conducts its business in the Chinese domestic market.

According to the 2024 Annual Report, the Group has continued to increase investment in the informatisation and intelligentisation of heat supply. Since its establishment, it has continued to build a smart heat supply network system in a planned and phased manner. The current smart heat supply network system has achieved real-time monitoring, remote control,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

big data comprehensive analysis and other functions, and has been identified as the leading system in the heating industry by China District Heating Association (中國城鎮供熱協會). As at 31 December 2024, the heat supply area of the Group was approximately 69.8 million sq.m., representing an increase of approximately 3.9% compared to approximately 67.1 million sq.m. as at 31 December 2023. Furthermore, the Group had 572,058 heat supply customers in 2024, representing an increase of approximately 3.7% from 551,558 in 2023.

According to the 2024 Annual Report, the Group's construction, maintenance, design and others cover the peripheral services business of the heat supply industry chain. The Group mainly provides services including engineering construction, engineering maintenance, design services and so on for heat supply companies or end-users. These services mainly cover northeast China.

1.2 *Financial performance of the Group*

Set out below is a summary of the Group's operating results as extracted from the 2024 Annual Report:

	For the year ended	
	31 December	
	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
— Heat supply business	1,570,725	1,615,315
— Construction, maintenance and design services and others	<u>123,692</u>	<u>190,385</u>
	1,694,417	1,805,700
Gross profit	265,891	257,155
<i>Gross profit margin</i>	<i>15.7%</i>	<i>14.2%</i>
Net profit	120,956	99,900

In FY2023 and FY2024, 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, pipeline connection fees charged for the connection to the Group's primary pipeline network, and heat transmission fees charged to other heat service providers. Revenue generated from construction, maintenance and design services includes engineering construction, engineering maintenance, project design and others.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison of financial performance between the years ended 31 December 2023 and 2024

Based on the 2024 Annual Report, the Group's revenue increased by approximately 6.6% from approximately RMB1,694.4 million in FY2023 to approximately RMB1,805.7 million in 2024 mainly attributable to (i) the increase in revenue generated from the heat supply business by RMB44.6 million as a result of the increase in heat service area from approximately 67.1 million sq.m. as at 31 December 2023 to approximately 69.8 million sq.m. as at 31 December 2024, representing an increase of approximately 3.9%; and (ii) the increase in revenue generated from the engineering construction business by approximately RMB66.7 million due to increase in number of projects undertaken.

The Group's gross profit decreased by approximately 3.3% from approximately RMB265.9 million in FY2023 to approximately RMB257.2 million in FY2024, and the gross profit margin decreased from approximately 15.7% in FY2023 to approximately 14.2% in FY2024, mainly attributable to (i) the increase in maintenance and repair costs due to more external maintenance projects during FY2024, (ii) the increase in the consumption of heating materials mainly due to the increase in materials consumed during repair and maintenance, and (iii) the increase in costs of coal consumed mainly due to higher coal consumption as a result of the implementation of coal-fired boilers by the Yatai Heating Regal Division in FY2024.

The Group's net profit decreased from approximately RMB121.0 million in FY2023 to approximately RMB99.9 million in FY2024 mainly due to (i) the decrease in the gross profit as mentioned above, (ii) the increase in the administrative expenses as the result of the recognition of listing fee in relation to the application for the listing of A shares on the main board of the Shenzhen Stock Exchange, and (iii) the increase in credit impairment loss on receivables which was in line with the increase in gross balance of receivables during FY2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.3 *Financial position of the Group*

Set out below is a summary of the Group's financial position as extracted from the 2024 Annual Report:

	As at	As at
	31 December	31 December
	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Assets		
— Cash and cash equivalents	1,111,042	1,449,174
— Fixed assets	897,056	850,266
— Prepayments	560,281	696,053
Liabilities		
— Contract liabilities	1,381,514	1,436,470
— Short-term borrowing	0	616,185
Total equity	989,846	1,043,160
Gearing ratio (Note 1)	N/A	N/A

Notes:

- (1) Gearing ratio is the percentage of total interest-bearing liabilities (including interest-bearing bank and other borrowings and lease liabilities), net of cash and cash equivalents, to total equity at the end of each financial period.
- (2) For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above.

According to the 2024 Annual Report, the Group's cash and cash equivalents increased by 30.4% from approximately RMB1,111.0 million as at 31 December 2023 to approximately RMB1,449.2 million as at 31 December 2024, which was primarily due to cash received from short-term bank borrowings.

The Group's fixed assets primarily comprised pipeline network and machinery and equipment. The decrease in the net book value of fixed assets was mainly attributable to the depreciation charged in the year.

The Group's prepayments mainly represented heat procurement costs paid to heat source providers in advance before the commencement of heat supply period. As at 31 December 2024, the Group's prepayments increased from approximately RMB560.3 million as at 31 December 2023 to RMB696.1 million in order to secure the supply of heat in response to the increase in the heat supply area.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's liabilities mainly derived from contract liabilities which represented the Group's obligation to provide goods to the customer for the consideration received or receivable. As at 31 December 2023 and 2024, the Group's contract liabilities remained relatively stable at approximately RMB1.4 billion and RMB1.4 billion respectively.

The total equity increased from approximately RMB989.8 million as at 31 December 2023 to approximately RMB1,043.2 million as at 31 December 2024 mainly attributable to the profit for FY2024.

As at 31 December 2023 and 2024, the Group's short-term borrowings amounted to nil and RMB616.2 million. Since the Group's cash and cash equivalents exceeded the Group's total interest-bearing liabilities, the gearing ratio was not applicable as at 31 December 2023 and 2024.

1.4 Business outlook

According to the National Bureau of Statistics of China (the "NBS") and the Statistic Bureau of Jilin* (吉林省統計局), the urbanization rates of the PRC and Jilin Province increased from approximately 54.8% and 54.8% in 2014 to approximately 67.0% and 65.8% in 2024, respectively. The number of urban residents of Jilin Province reached approximately 15.2 million in 2024. The rising urbanization rates in the PRC and Jilin Province lead to increasing demand for heating service and related urban municipal infrastructure, which is the fundamental driver of the development of heat supply and related construction, maintenance and design industry.

Pursuant to the National 14th Five-Year Plan for Urban Infrastructure Construction* (《「十四五」全國城市基礎設施建設規劃》) published in 2022 by National Development and Reform Commission* (國家發展和改革委員會) and Ministry of Housing and Urban-Rural Development* (住房和城鄉建設部), the PRC government continued to improve the central heating capacity, the municipal infrastructure, and service area, and to reduce heat loss rate of heating pipe network. Further, the government proposed to strengthen the construction and transformation of clean heat sources and pipe networks, and develop new energy, renewable energy, and other low-carbon energy sources. These favorable policies are expected to stimulate the demand for the high-quality heating infrastructure and drive the growth of the heat supply industry. According to the China Statistical Yearbook compiled by NBS, the length of heating pipelines construction and area of centralised heating of Jilin Province of the PRC has increased from approximately 17,309 k.m. to 38,942 k.m. and from approximately 450 million sq.m. to 691 million sq.m., respectively from 2014 to 2023.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

natural gas distributive heating, facilitating the speeding up of heating pipelines construction and improving the municipal heating infrastructure. With the development of national efforts on developing heating from clean energy sources and the goal of “carbon peaking and carbon neutrality”, the PRC government emphasized on accelerating the clean reform of coal-fired heating facilities, promoting the use of renewable energy for heating, eliminating the burning of bulk coal and speeding up the renovation of old heating pipelines.

In March 2022, the Ministry of Housing and Urban-Rural Development* (住房和城鄉建設部) published the notice of the “14th Five-Year Plan for Building Energy Conservation and Green Building Development” (《「十四五」建築節能與綠色建築發展規劃》), aiming to complete the energy efficiency retrofit of more than 100 million sq.m. in existing residential buildings nationwide by 2025. The release of a series of policies implies the future development of the heating industry will focus on promoting the provision of heat from clean energy sources, improving the efficiency of heating energy use, and accelerating the construction and renovation of heating pipelines. As disclosed in the 2024 Annual Report, the Group will uphold its original intention while deepening reform to adapt to industry trend in the future to advance its development in clean energy heating business. By actively improving its layout in heat supply industry, the Group is committed to making further contribution to the industrial development.

2. Information on Yatai Heating, Changre Group and Jilin Heating

As disclosed in the Letter from the Board, Yatai Heating is 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 which adopts a heating supply method which combines the purchase of heat from cogeneration plants and coal-fired boilers.

Changre Group is a state-owned company established on 28 April 1998 in Changchun City, the PRC, and is wholly-owned by the State-owned Assets Supervision and Administration Commission of Changchun (長春市人民政府國有資產監督管理委員會). Changre Group and its subsidiaries are mainly engaged in property management, water supply, pipeline manufacturing, heat production and supply, sale of industrial steam and financial investments.

Jilin Heating is a limited liability company established in the PRC on 26 December 2016 and is a wholly-owned subsidiary of Changre Group. Jilin Heating is principally engaged in heat production and supply.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Assets Transfer Agreements

Details of the Assets Transfer Agreements are set out in the Letter from the Board. The principal terms and conditions of the Assets Transfer Agreements are as follows:

3.1 *The Assets Transfer Agreement I*

Date of the Original
Assets Transfer
Agreement I 16 June 2025

Date of the First
Supplemental
Assets Transfer
Agreement I 31 July 2025

Date of the Second
Supplemental
Assets Transfer
Agreement I 15 August 2025

Parties (a) The Company, as the purchaser
(b) Changre Group, as the vendor

Assets to be acquired Pursuant to the Assets Transfer Agreement I, the Company has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell, the Target Assets I, subject to the terms and conditions therein.

The Target Assets I comprise 2 land parcels (with 3 sets of land ownership certificates) (the “**Target Land**”), 2 pipes and trenches, 385 machineries and equipment and electronic equipment and 1 vehicle which are currently located in Changre Group’s Dongsheng Boiler Room, Changre Group’s Jingyi Boiler Room and Jilin University Nanling Campus Boiler Room.

According to the information provided by Changre Group, the net book value of the Target Assets I amounted to RMB45,345,755.59 as at the Valuation Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Among the Target Assets I, (a) 2 pipes and trenches, 300 machineries and equipment and 31 electronic equipment which are currently located in Changre Group's Dongsheng Boiler Room and Jingyi Boiler Room are situated in buildings owned by Changre Group on the Target Land (the "**Changre Group Buildings I**"). The Changre Group Buildings I have a total GFA of approximately 16,935.7 sq.m. and are situated on the Target Land. The Target Land which form part of the Target Assets I comprise 2 land parcels (with 3 sets of land ownership certificates), namely (i) a land parcel located at Huairen Road, Er Dao District, Changchun City, Jilin Province, the PRC; and (ii) a land parcel located at the North of Nanhuan Road & Weixing Road, Jingyue Development District, Changchun City, Jilin Province, the PRC; and (b) 23 machineries and equipment, 31 electronic equipment and 1 vehicle are currently located in the Jilin University Nanling Campus Boiler Room which is situated on land and buildings owned by Jilin University.

Pursuant to the "Centralized Heating and Grid Connection Agreement" (集中供熱併網協議) (the "**Centralized Heating and Grid Connection Agreement**") entered into between Jilin University and the Company dated 27 June 2024, during the term of the Centralized Heating and Grid Connection Agreement, the Company has been granted a right to use the land and the buildings of the Jilin University Nanling Campus Boiler Room at nil consideration. The Centralized Heating and Grid Connection Agreement is an agreement for an indefinite duration and shall be valid for a long term from the date of execution unless as otherwise terminated due to force majeure factors or legal or policy requirements.

Pursuant to the terms of the Assets Transfer Agreement I, Changre Group agrees and confirms that upon completion of the Proposed Acquisition I, the Company shall be granted a right of use of the Changre Group Buildings I and the related structures at nil consideration for an indefinite period. Changre Group shall indemnify the Company in the event the Company is unable to use the Changre Group Buildings I and the related structures or incurs any loss thereto due to reasons attributable to Changre Group. The parties shall enter into an agreement to finalize the details of the indemnity within 30 days upon the Company's notification of such loss to Changre Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Changre Group undertakes that the ownership rights to the Target Assets I are clear and belong to Changre Group and the Target Assets I are free from any pledges, legal disputes or ownership defects and are the legitimate assets of Changre Group.

In the event where any of the Target Assets I has ownership defects or its right of use is being restricted due to reasons attributable to Changre Group, Changre Group has undertaken to resolve such issue unconditionally. Changre Group shall indemnify the Company for any losses suffered from ownership defects. It is further agreed that the parties shall enter into an agreement to finalize the details of the indemnity within 30 days upon the Company's notification of such loss to Changre Group.

Consideration

The Consideration I for the Proposed Acquisition I is RMB113,930,021.65, which shall be satisfied by the Company in cash on the Completion Date I.

The Consideration I has been arrived at after arm's length negotiations between the Company and Changre Group with reference to the total appraised value of the Target Assets I of RMB113,930,021.65 as at the Valuation Date as stated in the assets valuation report prepared by the Valuer, using the cost method. The Group intends to finance the Consideration I by its existing internal resources.

Please refer to Appendix II to the circular for further information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the factors taken into account by the parties in arriving at the Consideration I, the appraised value of the Target Assets I, including the appraisal added value of RMB68,584,266.06 for the Target Assets I and the valuation methods and assumptions adopted by the Valuer, details of which are set out in Appendix II to the circular, the Directors (excluding (a) Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting; and (b) the independent non-executive Directors whose view is set out in the section headed “Letter from the Independent Board Committee” in the circular) are of the view that the Consideration I is fair and reasonable and the Proposed Acquisition I is in the interests of the Company and the Shareholders as a whole.

- Conditions precedent Completion of the Proposed Acquisition I is conditional upon the following conditions having been fulfilled:
- (a) Changre Group having completed the applicable internal decision making procedure in respect of the Assets Transfer Agreement I and the transactions contemplated thereunder in accordance with the requirements of its articles of association;
 - (b) the Assets Transfer Agreement I and the transactions contemplated thereunder having been approved by the Board and the Shareholders at general meeting of the Company in accordance with the requirements of the Listing Rules, the Articles of Association and applicable laws and regulations; and
 - (c) (where applicable) as regards the entering into and performance of the Assets Transfer Agreement I, each of Changre Group and the Company having obtained and completed all necessary consents, approvals and filings from or with any relevant governmental or regulatory authorities in the PRC, Hong Kong or other jurisdictions.

None of the conditions above may be waived (whether in whole or in part) by either party.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Completion Upon the fulfilment of all of the conditions precedent set out in the Assets Transfer Agreement I, completion of the Proposed Acquisition I shall take place on the Completion Date I.

Subject to the fulfilment of all of the conditions precedent set out in the Assets Transfer Agreement I, the Company intends to complete the Proposed Acquisition I before the commencement of the 2025–2026 heat supply period in mid-October 2025.

With effect from the Completion Date I, all interests, rights and obligations attached to the Target Assets I shall be transferred from Changre Group to the Company.

3.2 *The Assets Transfer Agreement II*

Date of the Original 16 June 2025
Assets Transfer
Agreement II

Date of the 15 August 2025
Supplemental
Assets Transfer
Agreement II

Parties (a) Yatai Heating, as the purchaser
(b) Changre Group, as the vendor

Assets to be acquired Pursuant to the Assets Transfer Agreement II, Yatai Heating has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell, the Target Assets II, subject to the terms and conditions therein.

The Target Assets II comprise 326 machineries and equipment of Changre Group's Lvyuan Business Division and Yongchun Business Division which are currently used by Changre Group for heat production purposes. According to the information provided by Changre Group, the book value of the Target Assets II amounted to RMB12,921,402.21 as at the Valuation Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Target Assets II situate in buildings owned by Changre Group (the “**Changre Group Buildings II**”). The Changre Group Buildings II have a total GFA of 19,353.4 sq.m. and are situated on two land parcels, namely (a) a land parcel located at Lv Yuan District, Changchun City, Jilin Province, the PRC; and (b) a land parcel located at Xixi and Siwu Community, Nanguan District, Changchun City, Jilin Province, the PRC. Pursuant to the Assets Transfer Agreement II, upon completion of the Proposed Acquisition II, Yatai Heating will be granted a right of use of the Changre Group Buildings II and the related structures at nil consideration for an indefinite period. Changre Group shall indemnify Yatai Heating in the event Yatai Heating is unable to use the Changre Group Buildings II and the related structures or incurs any loss thereto due to reasons attributable to Changre Group. The parties shall enter into an agreement to finalize the details of the indemnity within 30 days upon Yatai Heating’s notification of such loss to Changre Group.

Changre Group undertakes that the ownership rights to the Target Assets II are clear and belong to Changre Group and the Target Assets II are free from any pledges, legal disputes or ownership defects and are the legitimate assets of Changre Group.

In the event where any of the Target Assets II has ownership defects or its right of use is being restricted due to reasons attributable to Changre Group, Changre Group has undertaken to resolve such issue unconditionally. Changre Group shall indemnify Yatai Heating for any losses suffered from ownership defects. It is further agreed that the parties shall enter into an agreement to finalize the details of the indemnity within 30 days upon Yatai Heating’s notification of such loss to Changre Group.

Consideration

The Consideration II for the Proposed Acquisition II is RMB16,457,865.00, which shall be satisfied by Yatai Heating in cash on the Completion Date II.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Consideration II has been arrived at after arm's length negotiations between Yatai Heating and Changre Group with reference to the total appraised value of the Target Assets II of RMB16,457,865.00 as at the Valuation Date as stated in the assets valuation report prepared by the Valuer, using the cost method. The Group intends to finance the Consideration II by its existing internal resources.

Please refer to Appendix III to the circular for further information.

Having considered the factors taken into account by the parties in arriving at the Consideration II, the appraised value of the Target Assets II, including the appraisal added value of RMB3,536,462.79 and the valuation methods and assumptions adopted by the Valuer, details of which are set out in Appendix III to the circular, the Directors (excluding (a) Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting; and (b) the independent non-executive Directors whose view is set out in the section headed "Letter from the Independent Board Committee" in the circular) are of the view that the Consideration II is fair and reasonable and the Proposed Acquisition II is in the interests of the Company and the Shareholders as a whole.

- Conditions precedent Completion of the Proposed Acquisition II is conditional upon the following conditions having been fulfilled:
- (a) Changre Group having completed the applicable internal decision making procedure in respect of the Assets Transfer Agreement II and the transactions contemplated thereunder in accordance with the requirements of its articles of association;
 - (b) the Assets Transfer Agreement II and the transactions contemplated thereunder having been approved by the board of directors of Yatai Heating, the Board and the Shareholders at general meeting of the Company in accordance with the requirements of the Listing Rules, the Articles of Association and applicable laws and regulations; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) (where applicable) as regards the entering into and performance of the Assets Transfer Agreement II, each of Changre Group and Yatai Heating having obtained and completed all necessary consents, approvals and filings from or with any relevant governmental or regulatory authorities in the PRC, Hong Kong or other jurisdictions.

None of the conditions above may be waived (whether in whole or in part) by either party.

Completion Upon the fulfilment of all of the conditions precedent set out in the Assets Transfer Agreement II, completion of the Proposed Acquisition II shall take place on the Completion Date II.

Subject to the fulfilment of all of the conditions precedent set out in the Assets Transfer Agreement II, Yatai Heating intends to complete the Proposed Acquisition II before the commencement of the 2025–2026 heat supply period in mid-October 2025.

With effect from the Completion Date II, all interests, rights and obligations attached to the Target Assets II shall be transferred from Changre Group to Yatai Heating.

3.3 *The Assets Transfer Agreement III*

Date 16 June 2025

Parties (a) The Company, as the purchaser
(b) Jilin Heating, as the vendor

Assets to be acquired Pursuant to the Assets Transfer Agreement III, the Company has conditionally agreed to purchase, and Jilin Heating has conditionally agreed to sell, the Target Assets III, subject to the terms and conditions therein.

The Target Assets III comprise 51 machineries and equipment currently used by Jilin Heating for heat production purposes. According to the information provided by Jilin Heating, the book value of the Target Assets III amounted to RMB212,031.89 as at the Valuation Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Target Assets III are situated on Sifang Community Heating Station (四方社區供熱站). Pursuant to Changchun Municipal People's Government State-owned Assets Supervision and Administration Commission Changguozi [2020] No. 183 "Reply on the Free Transfer of Heating Assets of Changchun Tianyu Ruibang Energy Saving Technology Co., Ltd." (長春市人民政府國有資產監督管理委員會長國資[2020]183號《長春市國資委關於長春市天宇瑞邦節能科技有限公司供熱資產無償劃轉的批覆》) and the agreement entered into between Changre Group and Changchun Tianyu Ruibang Energy Saving Technology Co., Ltd. (Changchun Tianyu Ruibang Energy Saving Technology Co., Ltd.) dated 22 September 2020, the operating rights and assets of Sifang Community Heating Station shall be transferred to Changre Group and all machinery and equipment thereon shall be owned by Changre Group. As such, Changre Group has the right to use the land of the Sifang Community Heating Station (the "**Sifang Land**").

Pursuant to the Assets Transfer Agreement III, upon completion of the Proposed Acquisition III, the Company will be granted a right of use of the premises which the Target Assets III currently situate on at nil consideration for an indefinite period. Jilin Heating shall indemnify the Company in the event the Company is unable to use the Sifang Land or incurs any loss thereto due to reasons attributable to Jilin Heating. The parties shall enter into an agreement to finalize the details of the indemnity within 30 days upon the Company's notification of such loss to Jilin Heating.

Jilin Heating undertakes that the ownership rights to the Target Assets III are clear and belong to Jilin Heating and the Target Assets III are free from any pledges, legal disputes or ownership defects and are the legitimate assets of Jilin Heating.

In the event where any of the Target Assets III has ownership defects or its right of use is being restricted due to reasons attributable to Jilin Heating, Jilin Heating has undertaken to resolve such issue unconditionally. Jilin Heating shall indemnify the Company for any losses suffered from ownership defects. Jilin Heating further agrees that it shall enter into an agreement with the Company to finalize the details of the indemnity within 30 days upon the Company's notification of such loss to Jilin Heating.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) the Assets Transfer Agreement III and the transactions contemplated thereunder having been approved by the Board and the Shareholders at general meeting of the Company in accordance with the requirements of the Listing Rules, the Articles of Association and applicable laws and regulations; and
- (c) (where applicable) as regards the entering into and performance of the Assets Transfer Agreement III, each of Jilin Heating and the Company having obtained and completed all necessary consents, approvals and filings from or with any relevant governmental or regulatory authorities in the PRC, Hong Kong or other jurisdictions.

None of the conditions above may be waived (whether in whole or in part) by either party.

Completion

Upon the fulfilment of all of the conditions precedent set out in the Assets Transfer Agreement III, completion of the Proposed Acquisition III shall take place on the Completion Date III.

Subject to the fulfilment of all of the conditions precedent set out in the Assets Transfer Agreement III, the Company intends to complete the Proposed Acquisition III before the commencement of the 2025–2026 heat supply period in mid-October 2025.

With effect from the Completion Date III, all interests, rights and obligations attached to the Target Assets III shall be transferred from Jilin Heating to the Company.

As discussed with the Management, they have (i) obtained key documents such as state-owned land use rights certificates, certificates of special equipment use registration for the boilers, and vehicle license; (ii) engaged a Valuer to appraise the Target Assets based on independent, objective, and fair principles; and (iii) consulted a PRC legal adviser to conduct a legal analysis regarding the transfer of the Target Assets through a non-public method. According to the valuation descriptions given by the Valuer, various approaches were employed, including the review of historical documents, site inspections, information gathering from third parties, surveys, and verification of the Target Assets etc. As confirmed in the valuation descriptions, the Target Assets are free from pledges or guarantees.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have obtained the land use rights certificates, certificates of special equipment use registration for boilers, and the vehicle license. We also obtained the Centralized Heating and Grid Connection Agreement, which grants the Company the right to use the boiler rooms at Jilin University Nanling Campus at nil consideration. Under this agreement, Jilin University has also transferred the heating management rights of the Jilin University Nanling Campus to the Company. The Centralized Heating and Grid Connection Agreement shall be valid for an indefinite duration from the date of execution unless as otherwise terminated due to force majeure factors or legal or policy requirements. Additionally, we obtained Changchun Municipal People's Government State-owned Assets Supervision and Administration Commission Changguozi [2020] No. 183 "Reply on the Free Transfer of Heating Assets of Changchun Tianyu Ruibang Energy Saving Technology Co., Ltd." (長春市人民政府國有資產監督管理委員會文件長國資[2020]183號《長春市國資委關於長春市天宇瑞邦節能科技有限公司供熱資產無償劃轉的批覆》) and the agreement entered into between Changre Group and Changchun Tianyu Ruibang Energy Saving Technology Co., Ltd* (長春市天宇瑞邦節能科技有限公司) dated 22 September 2020. The operating rights and related assets of Sifang Community Heating Station shall be transferred to Changre Group, which shall assume operational responsibilities and implement the centralized heating reform, including the management of all heating networks. Accordingly, we concur with the Directors' view that the Company or Changre Group has the right to use the aforementioned premises.

Additionally, we obtained a legal opinion prepared by the PRC legal adviser, who conducted an analysis on the feasibility of transferring the Target Assets through a non-public method. It is noted that the transfer is feasible provided that the necessary approvals are obtained from the relevant regulatory authorities overseeing state-owned assets. In practice, the PRC legal adviser and the Management inquired with the Property Rights Division of the State-owned Assets Supervision and Administration Commission of the People's Government of Changchun City* (長春市人民政府國有資產監督管理委員會產權處) (the "**Commission**") regarding the approval process, which confirmed that since the Proposed Acquisitions between the Group and the Controlling Shareholder Group are regarded as transfer of assets within the Controlling Shareholder Group, such intra-group transfers are subject to the Controlling Shareholder Group's internal procedures and no approvals are required from the Commission. We have obtained the relevant enquiry records and understood from the PRC legal adviser that (i) the discrepancy between the legal opinion and actual practice stems from differing interpretations of policy guidelines; and (ii) the legal opinion is issued from a more conservative, stringent perspective.

We inquired the PRC legal adviser on their qualifications, experience and independence and reviewed their credentials, and noted that the PRC legal adviser holds a practicing license in accordance with the Law of the PRC on Lawyers and the Measures for the Administration of Law Firms, and the personnel in charge is awarded an Outstanding Lawyer in Jilin Province.

Furthermore, we have reviewed the Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises* (企業國有資產交易監督管理辦法) published by the State-Owned Asset Supervision & Administration Commission of the State Council and Ministry of Finance in June 2016, and noted that for asset transfers involving internal transactions within state-funded enterprises or specific industries, where non-public transfers are necessary

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

between state-owned enterprises, state-controlled enterprises, or enterprises under actual state control, the transferor should report the matter to the relevant state-funded enterprise for review and approval.

4. Analysis on consideration

To assess the fairness and reasonableness of the Consideration I, Consideration II, and Consideration III, we reviewed the valuation reports prepared by the Valuer (the “**Valuation Reports**”), details of which are set out in Appendices II to IV to the Circular.

We understood from the Management that the Target Assets were appraised by Jilin Province Gongjian Weiye Real Estate Appraisal Co., Ltd.* (吉林省共建偉業房地產估價有限責任公司), an independent firm of qualified valuers in the PRC. According to the Valuation Reports and supporting working papers provided by the Valuer, as of 17 March 2025, (i) the total appraised value of the Target Assets I was approximately RMB113.9 million, among which approximately RMB65.1 million was attributable to the land use rights, approximately RMB0.1 million was attributable to the pipe network, approximately RMB48.7 million was attributable to the machineries and equipment, and approximately RMB35,000 was attributable to a vehicle; (ii) the total appraised value of the Target Assets II was approximately RMB16.5 million, attributable to the machineries and equipment; and (iii) the total appraised value of the Target Assets III was approximately RMB0.5 million, primarily attributable to certain machineries and equipment associated with boilers.

According to the Letter from the Board, as at the Valuation Date, (i) the book value of the Target Assets I amounted to RMB45,345,755.59, (ii) the book value of the Target Assets II amounted to RMB12,921,402.21, and (iii) the book value of the Target Assets III amounted to RMB212,031.89. As advised by the Valuer, the difference between the appraised value and the book value was mainly attributable to:

- (a) differences in the depreciation rate adopted by the Controlling Shareholder Group in calculating the net book value and the integrated newness rate adopted by the Valuer in the valuation process. For certain boilers and ancillary equipment, the period adopted in the valuation which takes into account the physical state of the equipment’s effective usability is longer than the depreciation period adopted by the Controlling Shareholder Group determined in accordance with applicable accounting standards. For instance, some machinery and equipment can continue to operate normally even after surpassing their useful life; and
- (b) the increase in land use rights primarily results from the appreciation of land value as of the Valuation Date, whereas the book value reflects amortization related to intangible assets recorded by the Controlling Shareholder Group.

We conducted a desktop search and noted that, according to notices published by the Changchun Planning and Natural Resources Bureau* (長春市規劃和自然資源局), the benchmark prices for national industrial land in the Changchun urban area, where the target land parcels are

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

located, have increased from RMB440 per square metre in 2010 to approximately RMB1,500 per square metre in 2024, representing more than a twofold increase. Furthermore, according to the NBS, the average salaries in the manufacturing and construction industries have risen from approximately RMB30,000 per annum in 2010 to approximately RMB100,000 per annum in 2024, more than doubling over the period.

Having considered (i) the upward trend of benchmark prices for national industrial land in the Changchun urban area; (ii) the integrated newness rates adopted by the Valuer has taken in account the economic life and age of the Target Assets as discussed in subsection headed “(4) Valuation of machineries and equipment”; and (iii) the land use right was referenced to the benchmark land price in Changchun which reflected current land price after taking into account the adjustment coefficient reflecting the conditions of the land parcels as discussed in subsection “(3) Valuation of land use right”, it is justifiable that the appraised fair value of the Target Assets exceeds their book value.

(1) *Valuer’s qualification and independence*

For our due diligence purpose, we have obtained and reviewed (i) the terms of engagement between the Valuer and the Company; (ii) the Valuer’s work scope for preparing the Valuation Reports; (iii) the Valuer’s qualifications and experience in relation to the preparation of the Valuation Reports; and (iv) track records on other valuations conducted by the Valuer. We noted from the engagement letters entered into between the Company and the Valuer that the scope of work was appropriate for the Valuer to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Valuation Reports. Furthermore, based on the relevant information provided by the Valuer and our interview with them, we are satisfied with their qualifications for preparing the Valuation Reports. The Valuer is a member of China Appraisal Society. The personnel in charge and signing the Valuation Reports is a practicing member of China Appraisal Society, qualified in asset valuation, real estate valuation, and land valuation. The Valuer also confirmed that they are independent of the Group and Controlling Shareholder Group.

(2) *Valuation’s methodology*

We noted from the Valuation Reports that the Target Assets mainly consist of (i) land use rights, and (ii) boilers and ancillary equipment. We further reviewed and inquired about the methodology, basis, and assumptions used in the Valuation Reports.

As discussed with the Valuer, the income approach is appropriate when appraisal assets can be considered a minimal asset unit being able to generate income separately. A minimal asset unit in heating business typically comprises heat supply license, buildings, equipment, and other ancillary fixed assets such as heat supply pipelines. As advised by the Management, (i) the Target Assets are unable to generate income independently without being operated by an enterprise with heat supply license; and (ii) the Target Assets do not include all the heat supply pipelines, some of which are already owned by the Group. Therefore, the Target Assets

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

cannot be regarded as a minimal asset unit capable of generating income independently. Additionally, since each operating unit collectively oversees several boiler rooms and there is no separate team or business unit assigned to each boiler room, it is difficult to accurately quantify the associated costs and expenses related to labor, management, and operations attributable to the Target Assets. Estimating these costs involves a variety of assumptions and improper assumptions will impose significant impact on the fair value. Given the above factors, the income approach is not suitable for appraising the Target Assets as a whole.

(a) *Land use right*

We have discussed with the Valuer and understood that in conducting the valuation of the land use rights, they have considered different valuation methods, namely the market comparison method, the income capitalisation method, the residual method, the cost method, and the benchmark land price coefficient adjustment method.

The market comparison method refers to the appraisal approach that compares the appraised subject with comparable assets or assets with transaction cases in the market to determine the value of the appraised subject.

The income capitalization method is a method in line with the principle of expected income, which calculates the price of the land to be valued by capitalizing the future and normal annual income (rent) of the land to be valued with certain capitalization rate.

The residual method is used in determining the value of the appraised subject by deducting the expected development costs and other relevant costs from the transaction price of the appraised subject after development is completed. The residual method is a common method for assessing the value of newly developed or redeveloped real estates.

The cost method refers to the approach that determines the appraised subject based on acquisition cost and development costs. It also takes into account the corresponding profits and interests that should be generated by equivalent amount of investment.

The benchmark land price coefficient adjustment method relies on the urban benchmark land price and the land parcel price adjustment coefficients table. By adopting the principle of substitution, comparing the specific conditions of the land parcel against the average conditions of the district in which the land parcel is located, and referring to the adjustment coefficients table, the corresponding adjustment coefficients are selected and applied to the benchmark land price to come up with the adjusted valuation price. The Benchmark Land Price Coefficient Correction Method is a derivative method of the market approach which compares and adjusts the assessed property against the average land price corresponding to the benchmark land price to obtain the value of the assessed property.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed with the Valuer, the market comparison method is unsuitable in this case due to the lack of comparable transaction records for land use rights similar to the subject of appraisal in the market. According to the Valuer, the area surrounding the appraised subject has been fully developed in recent years, and currently there are no plots of land available for sale in primary market. Additionally, no recent transactions of similar plots have been observed in the secondary market, making it difficult to establish reliable comparable data. Moreover, as the rental market in the regions where the land parcels are located is relatively immature, no comparable rental transaction records can be identified and thus the income capitalization method is not suitable in this case. Furthermore, as the appraised subject is industrial land and has been developed by enterprise for its own use, future planning conditions are unknown, and thus the residual method is not suitable in this case. The cost method is not suitable in this case as the land parcels are located in a developed region and no recent large-scaled land expropriation projects in the vicinity of the appraised land are noted, relevant costs information cannot be accurately obtained. In contrast, the current benchmark land price in Changchun was updated and released in 2024, which is a fair indication of the current land price after taking into account the adjustment coefficient reflecting the conditions of the land parcels. In view of the above, we concur with the Valuer's view that the benchmark land price coefficient adjustment method is the most suitable valuation method in appraising the land use right in this case.

(b) *Other target assets (excluding the land use rights) (“Other Target Assets”)*

We have discussed with the Valuer and understood that in appraising the value of Other Target Assets, they have considered three generally accepted appraisal approaches, namely, income approach, market approach and cost approach.

The income approach in asset value appraisal refers to the appraisal approach that determines the value of an asset by capitalizing or discounting the expected earnings of the asset. The income approach measures the value of an asset from the perspective of the profitability.

The market approach in asset value appraisal refers to the appraisal approach that compares the appraised subject with comparable assets or assets with transaction cases in the market to determine the value of the appraised subject.

The cost approach in asset value appraisal is as follows. Firstly, the replacement cost is determined by all cost required to re-construct a brand-new appraised asset under the current condition. Then the newness rate is determined by the comparison between the appraised asset and the brand-new one. The appraised value is determined by the replacement cost multiplying the newness rate.

As discussed with the Valuer, Other Target Assets, which mainly include boilers and ancillary equipment, are unable to generate income individually. Furthermore, for Other Target Assets as a whole, it is difficult to quantify costs and expenses related to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

labor, management and operation, land, and boilers that are assigned to Other Target Assets in monetary terms, the estimation of which involves a variety of assumptions and improper assumptions will impose significant impact on the fair value. Therefore, the income approach is not appropriate for this appraisal. The market approach is unsuitable in this case due to the difficulty in collecting transaction records for assets similar to the subject of appraisal in the market. Boilers and ancillary equipment are typically assembled and installed with various materials, pipes, pumps, and other components rather than being purchased as a complete set in the market. The cost approach, which takes into account the physical deterioration and all relevant forms of obsolescence and optimisation, is an appropriate approach for appraising Other Target Assets. In light of the above, we concur with the Valuer's view that the income approach and the market approach are considered less suitable than the adopted cost approach.

(3) *Valuation of land use right*

There are three plots of land under the Target Assets I, located in Changchun and currently utilised by Changre Group for heat production purposes. The areas of these land plots range from 10,924 sq.m. to 29,967 sq.m., with appraised values between approximately RMB8.9 million and RMB38.1 million as of the Valuation Date.

As communicated with the Valuer, the benchmark price was referenced to the Changchun Industrial and Mining Area Benchmark Land Price Map* (長春市區工礦用地區片基準地價圖), the Changchun City Benchmark Land Price Results Application Instructions* (長春市區基準地價成果應用說明), and the Notice of the Changchun Municipal People's Government on Publicizing and Implementing the Results of Updating the Benchmark Land Value of Changchun Municipal District* (長春市人民政府關於公佈實施長春市區基準地價更新成果的通知) dated 21 August 2024. The benchmark price was then adjusted based on each land plot's remaining years of use rights and various factors such as transportation convenience, environmental quality, geography, neighborhood, land shape, and land planning, in accordance with the Changchun City Benchmark Land Price Results Application Instructions* (長春市區基準地價成果應用說明). We further noted from the valuation working paper provided by the Valuer that a grade would be given to each factor based on the condition of land parcel so as to determine the adjustment coefficient to be adopted in appraising the value of land use right.

We have obtained the state-owned land use rights certificates for the plots, which include details such as the land use rights holder's name, certificate number, address, and land area. The validation periods for land use rights expire in 2042 and 2055, respectively. These details are consistent with the information in the valuation. Additionally, we reviewed the referenced documents and conducted a desktop search of the locations of the land plots. We reviewed the benchmark prices listed in the Changchun City Benchmark Land Price Results Application Instructions* (長春市區基準地價成果應用說明) and observed that the benchmark prices range from RMB1,500 to RMB1,620 per sq.m. for the areas where the land parcels are located. The assessment of each adjustment factor is also specified. These benchmark prices and adjustment factors are consistent with those used by the Valuer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(4) Valuation of machineries and equipment

Machineries and equipment primarily comprise boilers, blowers, dust collectors, denitrification equipment, desulfurization apparatus, pumps, and other electronic systems and equipment.

The formulae adopted by the Valuer in arriving at the appraised value of the machineries and equipment are as follows:

$$\text{Appraised value} = \text{Replacement cost} \times \text{Integrated newness rate}$$

$$\text{Integrated newness rate} = (\text{Newness rate determined by the survey method} \times 60\% + \text{Newness rate determined by the lifetime method} \times 40\%)$$

$$\text{Newness rate determined by the lifetime method} = (\text{economic life} - \text{used life}) \div \text{economic life}$$

The appraised values of the top 5 machineries and equipment are as follows:

		Appraised value	Newness rate	Newness rate
	Equipment item	(RMB)	determined by the	determined by the
			lifetime method	survey method
1.	Boiler	4,521,237	89%	95%
2.	Boiler	3,917,041	32%	45%
3.	Dust collector	3,150,930	86%	95%
4.	Boiler	2,507,111	11%	45%
5.	Boiler	2,397,251	57%	60%

(a) Replacement cost

According to the Valuation Reports, there are (i) a total of 385 machineries and equipment under Target Assets I with replacement cost ranged from approximately RMB298 to RMB12,978,256; (ii) a total of 326 machineries and equipment under Target Assets II with replacement cost ranged from approximately RMB264 to RMB5,277,955; and (iii) a total of 51 machineries and equipment under Target Assets III with replacement cost ranged from approximately RMB393 to RMB300,015. We obtained a comprehensive list of calculation workings for machineries and equipment and discussed with the Valuer the basis and assumptions underlying the key factors. We noted that the replacement cost of the machineries and equipment is based on the original book value, adjusted according to the Industrial Producers' Ex-factory Price Index* (工業生產者出廠價格指數) published by NBS. A discount is applied on the appraised value to further account for lower productivity or relatively high energy consumption resulting from prolonged use, as well as technological advancements for electronic equipment. Additionally, we discussed with the Valuer and understood that there are two commonly

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

used methods for calculating replacement cost: renewal replacement cost and restoration replacement cost. Renewal replacement cost represents the cost of purchasing and constructing a new asset with the same functions as the appraisal object, utilizing new materials, modern construction or manufacturing standards, and upgraded designs, specifications and technologies at current price levels. In contrast, restoration replacement cost involves the cost of repurchasing and building a new asset identical to the appraisal object, using the same materials, construction or manufacturing standards, design, specifications and technology as the original asset, all at current price levels. Due to the difficulty in collecting transaction records for assets similar to the boiler ancillary equipment in the market, the Valuer opted for the restoration replacement cost method. We conducted an online search and noted that there are two categories of replacement cost as outlined in the Code of Practice on Asset Appraisal — Asset Appraisal Methods published by China Appraisal Society in December 2019, stating that the restoration replacement cost applied by reproducing the appraisal object in its original condition.

For machineries and equipment excluding electronic equipment, installation fees, transportation costs, and other upfront fees are also included in the replacement cost. These fees are necessary to ensure the equipment is brought to condition ready for use. We obtained a breakdown of upfront and other costs and noted that these fees were mainly referenced to the Regulations on the Administration of Engineering Survey and Design Charges* (《工程勘察設計收費管理規定》) published by the State Planning Commission and the Ministry of Construction, and the Regulations on the Administration of Construction Supervision, Related Services Charges* (《建設工程監理與相關服務收費管理規定》) published by the National Development and Reform Commission and the Ministry of Construction, and Provisions on Financial Management of Construction* (《基本建設財務管理規定》). We also obtained data from several sources including Indicators of Equipment Installation and Commissioning Rates* (機器設備安裝調試費率指標參考), Indicator of Domestic Equipment Transportation And Miscellaneous Charges* (國產設備運雜費參考指標), and Estimated Domestic Equipment Base Fee Indicators* (國內設備基礎費概算指標) and noted that the information is generally in line with the valuation results. For electronic equipment that are primarily software-based, such as combustion optimization system and smoke monitoring system, the abovementioned upfront fees are not considered.

(b) *Integrated newness rate*

As discussed with the Valuer, the newness rate determined by the survey method involved scoring the machineries and equipment through site inspections primarily based on (i) the degree of corrosion and scale, (ii) usage and workload, (iii) operational status and technological advancement, (iv) the frequency of inspections and maintenance, and (v) supporting equipment. We also obtained and reviewed the scoring records for sampled assets and inspection photos of the Valuer's site visit. For electronic equipment

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

that are primarily software-based, such as combustion optimization system and smoke monitoring system, which are difficult to be evaluated through survey methods, only the newness rate determined by the lifetime method is applied.

Furthermore, we inquired with the Valuer about the basis for the weighting rate of the integrated newness rate. According to the Valuer, the newness rate determined by the lifetime method is more theoretical and does not take account of physical condition of a specific asset. The limitation is addressed by incorporating the survey method, which reflects the actual condition of the Target Assets. As a result, a greater weighting is assigned to the newness rate determined by the survey method in the valuation process. Additionally, our online research indicated that a weighting of 40% for the newness rate determined by the lifetime method and 60% for the newness rate determined by the survey method is considered a practical valuation norm in the industry. This approach balances theoretical assessments with the tangible condition of the Target Assets being evaluated. The integrated newness rate of the machineries and equipment adopted by the Valuer ranged from 15% to 96%.

As discussed with the Valuer, the economic life of the machineries and equipment was referenced from the Handbook of Commonly Used Technical Indicators and Parameters for Asset (Price) Valuation* (資產(價格)評估常用技術指標和參數大全). We noted that the typical economic life of hot water boilers is 15 to 16 years, 8 to 10 years for sewage pumps, 12 to 14 years for other fixed equipment. We obtained and reviewed the data used by the Valuer for appraising the machineries and equipment, which generally aligns with the methodology in the handbook.

For machineries and equipment under Target Assets I, 149 pieces have been utilized for less than 10 years with an appraised value of approximately RMB32.1 million, whereas 236 were used for more than 10 years with an appraised value of approximately RMB16.6 million. For machineries and equipment under Target Assets II, 133 pieces have been utilized for less than 10 years with an appraised value of approximately RMB11.2 million, whereas 193 were used for more than 10 years with an appraised value of approximately RMB5.3 million. For machineries and equipment under Target Assets III, all the pieces have been utilized for less than 10 years with an appraised value of approximately RMB0.5 million. As discussed with the Valuer, as economic life of an asset does not account for factors such as maintenance, long-aged equipment can remain operational with adequate maintenance even if its used life exceeds its economic life.

For machineries and equipment excluding electronic equipment under Target Assets I, (i) approximately 0.1% of the machineries and equipment, in terms of appraised value, was evaluated with a higher newness rate determined by the lifetime method compared to the survey method; (ii) approximately 58.7% of the equipment was evaluated with a higher newness rate determined by the survey method, but not exceeding 20% relative to the lifetime method; (iii) approximately 26.3% of the equipment was assessed with a higher newness rate determined by the survey method that was more than 20% higher

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

than that determined by the lifetime method; and (iv) approximately 14.9% of the equipment has been utilized beyond its economic life resulting in a theoretical negative newness rate determined by the lifetime method. For machineries and equipment excluding electronic equipment under Target Assets II, (i) approximately 66.3% of the equipment was evaluated with a higher newness rate determined by the survey method, but not exceeding 20% relative to the lifetime method; (ii) approximately 17.9% of the equipment was assessed with a higher newness rate determined by the survey method that was more than 20% higher than that determined by the lifetime method; and (iii) approximately 15.8% of the equipment has been utilized beyond its economic life resulting in a theoretical negative newness rate determined by the lifetime method. For machineries and equipment excluding electronic equipment under Target Assets III, (i) approximately 35.9% of the equipment was evaluated with a higher newness rate determined by the survey method, but not exceeding 20% relative to the lifetime method; (ii) approximately 64.1% of the equipment was assessed with a higher newness rate determined by the survey method that was more than 20% higher than that determined by the lifetime method; and (iii) none of the equipment has been utilized beyond its economic life. The useful life of equipment varies based on its type, quality, usage conditions, and maintenance practices. The newness rate determined by the survey method is generally higher than that determined by the lifetime method, as the survey method takes account of maintenance whereas the lifetime method does not. As regular maintenance has been conducted on aged equipment, higher newness rates determined by the survey method as compared to lifetime method were adopted based on the actual state and the operation efficiency of such equipment. For equipment that has reached its economic life but remains in normal use, the Valuer adopted an integrated newness rate of at least 15%, which aligns with the industry norm developed based on previous Notice on Forwarding the Opinions on the Operating Procedure for Asset Appraisal (for Trial Implementation) (No.23 [1996] of the Office of the State-owned Assets Administration Bureau)* (國資辦發[1996]23號國家國有資產管理局關於轉發《資產評估操作規範意見(試行)》的通知), which stipulated that the newness rate of assets under normal operation should not be less than 15% and that the appraised value should not fall below 15% of the replacement cost.

We obtained detailed explanation of the Valuation Reports from the Valuer and based on our understanding on the workings in arriving at the Valuation, we did not identify any major factors that would lead us to question the fairness and reasonableness of the methodology, principal basis, and parameters used in the Valuation Reports.

Having considered (i) the valuation methodology adopted by the Valuer for determining the fair value of the Target Assets is in line with market practice and the underlying basis and assumptions are reasonable; (ii) the appraised value as set out in the Valuation Reports serves as an appropriate benchmark for assessing the consideration of the Target Assets; (iii) the Consideration is equal to the valuation provided by the Valuer; and (iv) our independent work performed on the Valuation Reports, we are of the view that the consideration of the Target Assets is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, we concur with the Directors' view that the terms of each of the Assets Transfer Agreements are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

5. Reasons for and benefits of the Proposed Acquisitions

As disclosed in the Letter from the Board, the Company is mainly engaged in heating service business and the Controlling Shareholder Group also engages in, among others, heat production and supply, where the Group has been procuring heat from the Controlling Shareholder Group pursuant to the 2024–2026 Heat Procurement Framework Agreement (Changre Group) which constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Proposed Acquisitions involve the acquisition of the Target Assets which are used for heat production purposes by the Group from the Controlling Shareholder Group. The Target Assets mainly comprise assets relating to the production of heat energy but do not comprise major supporting and ancillary assets. Given the Company has the relevant heat supply licence, it is expected that upon completion of the Proposed Acquisitions, the Group could utilize the Target Assets together with the Group's existing heat pipelines and other supporting and ancillary assets to expand the Group's heat production capacity. Upon completion of the Proposed Acquisitions, the Target Assets will be solely operated, maintained and supervised by the Group's employees. Pursuant to the Assets Transfer Agreements, upon completion of the Proposed Acquisitions, the Group will be granted a right of use of the premises which the Target Assets currently situate on at nil consideration. As such, upon completion of the Proposed Acquisitions, the Group would be able to operate the Target Assets without the need to re-locate them from the existing premises.

The Company is of the view that the Proposed Acquisitions would bring the following benefits to the Group:

- (a) the Proposed Acquisitions would facilitate the integration of heat production resources between the Group and the Controlling Shareholder Group, minimize internal competition between the Group and the Controlling Shareholder Group and enhance uniform management and facilitate operational adjustments;
- (b) the Proposed Acquisitions enable the optimization of resources which in turn improves the quality of the Company as a listed company and enhances its independence from the Controlling Shareholder Group. If the Proposed Acquisitions materialize, it is currently expected that the Group could reduce the amount of continuing connected transactions with the Controlling Shareholder Group by approximately RMB100 million for the year ending 31 December 2026 thereby minimizing the reliance of the Group on the Controlling Shareholder Group which is in line with the regulatory requirements for independence of listed companies from its controlling shareholder;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) given the Target Assets are located in the Group's core markets for heat supply, the Proposed Acquisitions enable the Group to realize the upgrading of its strategic layout, improve its heating industry supply chain and enhance the market competitiveness of the Group's main business segment. It is currently expected that upon completion of the Proposed Acquisitions, the Group will be able to increase its production capacity and scale of heat production business; and
- (d) the Proposed Acquisitions enable the Group to secure stable heat source protection for its heat production business.

Based on the above, the Directors (excluding (a) Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting; and (b) the independent non-executive Directors whose view is set out in the section headed "Letter from the Independent Board Committee" in the circular) consider that the terms of each of the Assets Transfer Agreements are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

To facilitate the integration of heat production resources, optimize the business structure and increase its capabilities on heat source protection

Following the acquisition of the Target Assets, the Group is better positioned to control a greater share of heat production resources. As discussed with the Management, most of the boilers in these districts serve as peak-shaving boilers, maintaining back-up heating capacity in the heating zone during peak periods or in emergencies. In accordance with the Regulations on Changchun Municipal Heat Supply Management (《長春市城市供熱管理條例》) implemented in October 2018, heat service providers using heat procured from local cogeneration plants are required to maintain peak-shaving boilers to address any suspension or shortage in heat supply from the cogeneration plants. Moreover, the peak-shaving boilers for the Target Assets are expected to provide a total heat supply of more than 6 million GJ per year, representing approximately 31% of the Company's overall heating capacity. As the usage of the boilers are fixed by the Controlling Shareholder Group and could only be used as peak-shaving boilers before the acquisition, the acquisition of the Target Assets enhances the flexibility of usage of the boilers that the Group could control to optimize the heating efficiency and quality. In particular, the main heating facilities generally operate more efficiently under optimal load conditions. During low seasons, the peak-shaving boilers could be redesignated to take over the main heating facilities to reduce heating costs and prolong the lifespan of the main heating facilities; while in emergency situations, such as sudden breakdowns of main heat facilities, the peak-shaving boilers act as a backup, activating quickly to prevent widespread heat outages. Accordingly, acquiring these Target Assets will enhance the quality of the Group's heat supply in Changchun, thereby strengthening its capacity for heat source protection.

Further, the provision of heat supply services heavily relies on the heating facilities and infrastructure such as heating pipeline network and boiler facilities, which are subject to the limitation of underground space necessary for pipelines and the local government's overall

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

development plan. The Group's heating service area primarily covers inner urban regions of Changchun. As advised by the Management, certain peak shaving boilers of the Target Assets serve the Group's existing heating users and link to the Group's primary pipelines. The Proposed Acquisitions allow heat delivery without the need to construct new pipelines which may incur significant costs and time. By consolidating heat sources and allocating them effectively, the Group can enhance production efficiency and optimize its business operations through a stable heat supply.

To reduce the amount of continuing connected transactions

As disclosed in the circular of the Company dated 7 November 2023, the Company entered into the 2024–2026 Heat Procurement Framework Agreement (Changre Group) with Changre Group (for itself and on behalf of its subsidiaries other than the Group) on 11 October 2023, pursuant to which Changre Group shall supply heat to the Group. As advised by the Management, the Proposed Acquisitions are expected to reduce the annual connected transaction amount by more than RMB100 million and increase operating costs by approximately RMB91 million, contributing to a net increase in profit after taxation of approximately RMB5 million. This smaller size of continuing connected transactions would minimize the reliance of the Group on the Controlling Shareholder Group which is in line with the regulatory requirements for independence of listed companies from its controlling shareholder.

To minimize any potential competition

According to the Letter from the Board, Changre Group and its subsidiaries are mainly engaged in property management, water supply, pipeline manufacturing, heat production and supply, sale of industrial steam and financial investments. Through the Proposed Acquisitions, the Group will incorporate certain boilers, and ancillary equipment for heat production. The Proposed Acquisitions mark a step toward further integrating Changre Group's heat supply business in Changchun into the Group, thereby reducing potential business competition between Changre Group (excluding the Group) and the Group in this business sector. We concur with the Management's view that the Proposed Acquisitions would reduce potential competition between the Group and Changre Group, ultimately benefiting the Group's overall strategic development.

Taking into account of the above reasons for and benefits of the Proposed Acquisitions, we concur with the Directors' view that the Proposed Acquisition is fair and reasonable.

6. Possible financial effects of the Proposed Acquisitions

Earnings

The Target Assets mainly consist of peak-shaving boilers, which are able to supply heat through the Group's pipelines, one of the Group's major business segments. Thus the Proposed Acquisitions are expected to have positive effect on the Group's earnings. As confirmed by the Management, the taxes and professional fees related to the Proposed Acquisitions will not have a material adverse impact on the Group's net income.

Net asset value

As discussed with the Management, upon completion of the Proposed Acquisitions, the Group's cash and cash equivalents will decrease by the total consideration amount, while fixed assets will increase correspondingly. Since the total consideration aligns with the appraised value of the Target Assets, the Group's total assets would have remained unchanged. Although there are associated taxes and professional fees related to the Proposed Acquisitions, their impact on liabilities and net assets is expected to be minimal.

Working capital

As set out in the Letter from the Board, the total consideration for the Proposed Acquisitions will be financed by the Group's existing internal resources and satisfied in cash. It is anticipated that the Group's bank balance will decrease by the total consideration amount upon completion of the Proposed Acquisitions. According to the 2024 Annual Report, the Group's cash and cash equivalents were approximately RMB1,449.2 million as at 31 December 2024, which is sufficient to cover the total consideration for the Proposed Acquisitions. Additionally, as advised by the Management, the outflow of the total consideration will not have a material adverse impact on the Company's business operations.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that although the entering into of each of the Assets Transfer Agreements was not in the ordinary and usual course of business of the Group, the terms of each of the Assets Transfer Agreements are fair and reasonable and on normal commercial terms so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions for approving each of the Assets Transfer Agreements and the transactions contemplated thereunder at the EGM.

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

Mr. Johnson Chen is a licensed person registered with the Securities and Futures Commission and a responsible officer of Giraffe Capital Limited to carry out Type 6 (advising on corporate finance) regulated activities and to undertake work as a sponsor. He has over 17 years of experience in the field of corporate finance advisory.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2024 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.cc-tp.com.cn). Please refer to the hyperlinks as stated below:

- Annual report of the Company for the year ended 31 December 2022 (pages 60 to 254)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400610.pdf>
- Annual report of the Company for the year ended 31 December 2023 (pages 59 to 251)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042501476.pdf>
- Annual report of the Company for the year ended 31 December 2024 (pages 58 to 228)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0423/2025042300525.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business of 30 June 2025, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the indebtedness of the Group was as follows:

(a) Interest-bearing bank borrowings

	As at 30 June 2025	
	Unsecured	Total
	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings	<u>548,000</u>	<u>548,000</u>
Analyzed into:		
Within one year	<u>548,000</u>	<u>548,000</u>

The interest rates of the aforementioned bank borrowings range from 3.2% to 3.9%.

(b) Lease liabilities

As at the close of business of 30 June 2025, the Group had the following lease liabilities which are related to properties leased by the Group for its operational needs:

	As at 30 June 2025 Total RMB'000
Lease liabilities — current	8,443
Lease liabilities — non-current	<u>3,473</u>
Total lease liabilities	<u><u>11,916</u></u>

Save as aforesaid or otherwise mentioned herein and apart from intra-group liabilities, as at the close of business of 30 June 2025, the Group did not have any outstanding or authorized to be issued but unissued debt securities, term loans, other borrowings or borrowings or indebtedness in nature of borrowing, acceptance credits, mortgages and charges, contingent liabilities or guarantees.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present internal resources and available credit facilities of the Group and considering the effect of the Proposed Acquisitions and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

4. 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 2024, being the date to which the latest published audited combined financial statements of the Group were made up.

5. FINANCIAL EFFECT OF THE PROPOSED ACQUISITIONS

Immediately upon the completion of the Proposed Acquisitions, as the Consideration I, Consideration II and Consideration III will be financed by the Group's existing internal resources, the financial effects upon the Group are (i) an increase in non-current assets of approximately RMB130.864 million; (ii) a decrease of the Group's net cash position by approximately RMB130.864 million; and (iii) an immaterial effect on the net assets of the Group.

There will not be any material adverse impact on the Company's earnings immediately upon completion of the Proposed Acquisitions.

6. FINANCIAL AND TRADING PROSPECT OF THE GROUP

In the future, the Group will thoroughly implement the national energy saving and emission reduction policies. In line with the development trends of intelligentization, greening and sustainable innovation, the Group will facilitate the construction of smart enterprises to enhance corporate competitiveness and brand influence. With the achievements of high-quality development, the Group aims to better serve urban construction and safeguard people's livelihoods.

(a) Development of operating objectives

With a focus on its core heat supply business, the Group will propel its transformation and upgrading, optimize the regional layout and strengthen its market services. By refining the energy structure, improving the management system, promoting technological innovation and accelerating the process of marketization, the Group aims to achieve sustainable development. Meanwhile, the Group will advance the development of construction, maintenance and design services by enhancing its project control to achieve refined management. The Group will also fully leverage the advantages of industry chain for heat supply to forge a state-owned enterprise service brand, thereby providing robust support for the development of the heat supply business.

(b) Technology innovation and development

The Group will accelerate the digital transformation. By utilizing technologies such as big data and artificial intelligence to optimize its management, the Group will deepen the construction of information systems to achieve sharing of business process and data. Besides, the Group will promote smart heat supply by accurately predicting the demand for heat load, so as to achieve on-demand heat supply with dynamic adjustment, thereby significantly improving the energy efficiency. The Group will also expedite green upgrades by effectively utilizing technology to recover waste heat from boiler flue gas, so as to reduce environmental pollution and enhance the heat-efficiency of boiler, thereby lowering production costs and increasing economic benefits for the enterprise.

(c) Production and operation safety

The Group will further enhance the level of safety management, advance the standardization of safety production, and strengthen the emergency management system. The Group will also ensure preparedness for emergencies and intensify safety education and training, so as to elevate the safety awareness and protective capabilities among all its employees. Meanwhile, the Group will reinforce the accountability and tighten the chain of responsibility to ensure the stable operation of the Company.

(d) Corporate governance

The Group will continue to optimize its corporate governance structure, improve its governance mechanisms, and enhance its governance effectiveness. By fully leveraging the responsibilities of the Board, the Group will continuously improve the overall governance level and standardize the operational capabilities. Meanwhile, the Group will maintain a high level of coordination between its corporate informatization construction and management systems, providing a scientific basis for the decision-making and standardized operations of the Board, and offering robust support for the Company's development, thereby ensuring its healthy, stable and sustainable development.

The following is an extract of the asset valuation report dated 30 May 2025 prepared by Jilin Province Gongjian Weihe Real Estate Appraisal Co., Ltd.* in relation to the Proposed Acquisition I.

The asset valuation report was prepared in Chinese and the English version is a translation of the original. In case of discrepancies between the two versions, the Chinese version shall prevail.

Please be aware that the content was extracted from the full text of the asset valuation report and has been adjusted with reference to the scope of assets to be acquired under the Assets Transfer Agreement I.

STATEMENT

I. This asset appraisal report is prepared in accordance with the Basic Guidelines on Asset Appraisal issued by the Ministry of Finance and the Code of Practice and Code of Ethics on Asset Appraisal issued by the China Appraisal Society.

II. The clients or other users of the asset appraisal report shall use the asset appraisal report in accordance with the provisions of laws, administrative regulations and the scope of use set out in this asset appraisal report; the asset appraisal organization and the asset appraisers shall not be held responsible for the failure to use the asset appraisal report in accordance with the foregoing provisions by the clients or other users of the asset appraisal report.

This asset appraisal report is intended to be used solely by the clients, other users of the asset appraisal report as agreed in the asset appraisal engagement contract, and users of the asset appraisal report as stipulated by laws and administrative regulations; other than this, no other institution and individual can become the user of the asset appraisal report.

The asset appraisal organization and the asset appraisers hereby remind the users of the asset appraisal report that it is the responsibility of the users of the asset appraisal report to properly understand and use the appraisal conclusions, and the appraisal conclusions do not represent the price that could be realized for the appraised subject and should not be considered as a guarantee of the price that could be realized for the appraised subject.

III. The asset appraisal organization and the asset appraisers shall abide by laws, administrative regulations and asset appraisal standards, adhere to the principles of independence, objectivity and impartiality, and shall be responsible for the asset appraisal reports issued in accordance with law.

IV. The list of assets and liabilities involved in the appraised subject shall be declared by the clients, the property right holder and confirmed by its signature, seal or other means permitted by law; the clients and other relevant parties shall be responsible for the authenticity, completeness and legality of the information provided by them according to law.

V. The asset appraisal organization and the asset appraisers have no existing or prospective interest in the appraised subject of the asset appraisal report; they have no existing or prospective interest in the relevant parties and are not biased against the relevant parties.

VI. The asset appraisers have conducted on-site investigation of the appraised subject of the asset appraisal report and the assets involved; have paid necessary attention to the legal ownership status of the appraised subject and the assets involved; have checked the legal ownership information of the appraised subject and the assets involved; have made truthful disclosure of the issues identified; and have brought them to the attention of the clients and other relevant parties for perfecting the property rights to satisfy the requirement to issue an asset appraisal report.

VII. The analysis, judgment and results in the asset appraisal report issued by the asset appraisal organization are subject to the assumptions and limitations in the asset appraisal report, and the users of the asset appraisal report should give full consideration to the assumptions, limitations, special matter statements and their impact on the appraisal conclusions contained in the asset appraisal report.

I. CLIENTS, PROPERTY RIGHT HOLDER AND OTHER USERS OF THE ASSET APPRAISAL REPORT

The clients of this appraisal engagement are Changchun Heating Power (Group) Company Limited* and Jilin Province Chuncheng Heating Company Limited*. The property right holder is Changchun Heating Power (Group) Company Limited*. The users of the asset appraisal report are the users of the asset appraisal report as agreed in the asset appraisal engagement contract and other users of the asset appraisal report as stipulated by laws and administrative regulations.

(I) The clients and the property right holder*Overview of the client 1 and the property right holder:*

1. Unified social credit code: 91220101124001988G
2. Company name: Changchun Heating Power (Group) Company Limited*
3. Legal representative: Song Chi
4. Type: limited liability company (wholly state-owned)
5. Date of establishment: 28 April 1998
6. Registered capital: RMB361,000,000
7. Address: No. 998 Nanhu Road, Nanguan District
8. Scope of operation: general projects: investment activities with own funds; asset management services for investment with own funds; engineering cost consulting business; management of municipal facilities; engineering management services; property management; leasing of mechanical equipment; human resources services (excluding occupational intermediary activities and labour dispatch services); manufacturing of equipment for production of construction materials; manufacturing of hardware products; manufacturing of metal materials; sales of metal materials; coal-based activated carbon and other coal processing; biomass fuel processing; energy-saving management services. (Except for projects subject to approval in accordance with the laws, the business activities shall be conducted independently with the business licenses in accordance with the laws) permitted projects: heat production and supply. (For projects subject to approval in accordance with the laws, the business activities can only be carried out after approval by the relevant departments, and the specific business projects are subject to the approval documents or licenses of the relevant departments)

Overview of the client 2:

1. Unified social credit code: 91220101MA14W03575
2. Company name: Jilin Province Chuncheng Heating Company Limited*
3. Legal representative: Song Chi
4. Type: Other limited company by shares (Listed)
5. Date of establishment: 23 October 2017
6. Registered capital: RMB466,700,000
7. Address: No. 28, Block B (Hongcheng Xiyu), Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province
8. Scope of operation: New energy technology development; heating production and supply; heating engineering design and installation services; contractual energy management; sales of cables, electrical equipment, household appliances, flooring, floor tiles, thermostats and heating accessories (those businesses that are prohibited by the laws, regulations and decisions of the State Council shall not be operated; for items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities).

(II) Relationship between the clients and the property right holder

The client 1 and the property right holder are the same company. The client 2 is a controlled subsidiary of the property right holder.

II. PURPOSE OF THE APPRAISAL

Changchun Heating Power (Group) Company Limited* (“Changre”) intends to transfer some of its assets, and in order to do so, it is necessary to assess the value of the assets to be transferred to provide a value reference for the client 1 to understand the value of the assets.

III. SUBJECT AND SCOPE OF THE APPRAISAL

The appraised subject is the fixed assets (machinery and equipment, and electronic equipment) of Dongsheng Boiler Room declared by Changchun Heating Power (Group) Company Limited*, with original book value of RMB51,653,558.00 and net book value of RMB19,992,442.03, and intangible assets (land) with original carrying amount of RMB5,950,995.68 and net book value of RMB3,673,165.31; fixed assets (machinery and equipment, and electronic equipment) of Jingyi Boiler Room with original book value of RMB63,270,059.52 and net book value of RMB10,700,020.30, and intangible assets (land) with original carrying amount of RMB15,090,000.00 and net book value of RMB10,227,998.47; fixed assets (machinery and equipment, and electronic equipment) of the boiler room at Jilin University Nanling Campus with original book value of RMB13,471,847.12 and net book value of RMB752,129.48. (See table below for details)

Details of asset appraisal of Dongsheng Boiler Room

Unit: RMB

No.	Item	Carrying Amount		Appraised Value		Value-added Amount	
		Original Value	Net Value	Original Value	Net Value	Original Value	Net Value
I.	Fixed assets	51,653,558.00	19,992,442.03	47,261,938.52	22,228,892.41	-4,391,619.48	2,236,450.38
1	Machinery and equipment	48,743,763.35	18,648,753.42	45,530,610.52	21,070,608.67	-3,213,152.83	2,421,855.25
2	Electronic equipment	2,909,794.65	1,343,688.61	1,731,328.00	1,158,283.74	-1,178,466.65	-185,404.87
II.	Intangible assets	5,950,995.68	3,673,165.31		26,931,675.00		23,258,509.69
1	Land	5,950,995.68	3,673,165.31		26,931,675.00		23,258,509.69

Details of asset appraisal of Jingyi Boiler Room

Unit: RMB

No.	Item	Carrying Amount		Appraised Value		Value-added Amount	
		Original Value	Net Value	Original Value	Net Value	Original Value	Net Value
I.	Fixed assets	63,270,059.52	10,700,020.30	63,696,170.13	18,762,790.67	426,110.61	8,062,770.37
1	Pipes and trenches	423,662.40	16,946.50	471,021.14	131,885.92	47,358.74	114,939.42
2	Machinery and equipment	62,206,727.25	10,546,734.18	62,844,546.99	18,489,095.31	637,819.74	7,942,361.13
3	Electronic equipment	639,669.87	136,339.62	380,602.00	141,809.44	-259,067.87	5,469.82
II.	Intangible assets	15,090,000.00	10,227,998.47		38,147,991.00		27,919,992.53
1	Land	15,090,000.00	10,227,998.47		38,147,991.00		27,919,992.53

Details of asset appraisal of the boiler room at Jilin University Nanling Campus

Unit: RMB

No.	Item	Carrying Amount		Appraised Value		Value-added Amount	
		Original Value	Net Value	Original Value	Net Value	Original Value	Net Value
I.	Fixed assets	13,471,847.12	752,129.48	13,446,687.98	7,858,672.57	-25,159.14	7,106,543.09
1	Machinery and equipment	12,979,103.02	664,531.01	13,123,197.98	7,699,446.57	144,094.96	7,034,915.56
2	Vehicle	96,822.52	3,872.9	87,920.00	35,170.00	-8,902.52	31,297.10
3	Electronic equipment	395,921.58	83,725.57	235,570.00	124,056.00	-160,351.58	40,330.43

IV. TYPE OF VALUE AND DEFINITION

Based on the purpose of this appraisal, market condition, and the characteristics of the assessed assets, the type of value of the appraised subject is determined to be market value.

Market value is the estimated amount by which a willing buyer and a willing seller, each acting rationally and without any compulsion, would have appraised the appraised subject in an arm's length transaction as at the appraisal benchmark date.

V. APPRAISAL BENCHMARK DATE

The appraisal benchmark date of this project is 17 March 2025, which is determined by the clients based on economic behaviour, the end of the accounting period, changes in interest rates and exchange rates, and other factors.

VI. BASIS OF THE APPRAISAL

The laws and regulations of the national, local government and relevant departments, standards, ownership basis, and appraisal references that we have followed in the course of this appraisal as well as the documents and information and the basis of reference in this regard, are mainly as follows:

(I) Basis for economic activity

Minutes of the 9th Party Committee Meeting of Changchun Heating Power (Group) Company Limited* (Changre Group) dated 24 April 2025.

(II) Main legal and regulatory basis

1. Asset Appraisal Law of the People's Republic of China (adopted at the Twenty-First Session of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. Law of the People's Republic of China on the State-Owned Assets of Enterprises (adopted at the Fifth Session of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
3. The Civil Code of the People's Republic of China (adopted at the Third Session of the Thirteenth National People's Congress on 28 May 2020 and effective from 1 January 2021);
4. Interim Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council [2003]);

5. Interim Measures for the Administration of the Appraisal of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission [2005]);
6. Notice on Issues Relating to Strengthening the Management of the Appraisal of State-owned Assets of Enterprises (SASAC Property Rights [2006] No. 274);
7. Circular on Matters Relating to the Review of the Appraisal Reports of State-owned Assets of Enterprises (SASAC Property Rights [2009] No. 941);
8. Guidelines for the Filing of State-Owned Asset Appraisal Projects of Enterprises (SASAC Fa Property Rights [2013] No. 64);
9. Measures for Supervision and Administration of Enterprise State-owned Assets Transactions (SASAC and Ministry of Finance [2016] No. 32);
10. Measures on Financial Supervision and Management of the Asset Appraisal Industry (Order No. 97 of the Ministry of Finance);
11. Rules for the Operation of State-owned Property Rights Transactions of Enterprises (SASAC Fa Property Rights [2009] No. 120);
12. Circular on Matters Relating to the Facilitation of the Transfer of State-owned Property Rights of Enterprises (SASAC Fa Property Rights [2014] No. 95);
13. Opinions Regarding the Regulation of the Reform of State-owned Enterprises (Guo Ban Fa [2003] No. 96);
14. Implementation Opinions Regarding the Further Regulation of the Reform of State-owned Enterprises (Guo Ban Fa [2005] No. 60);
15. Provisions on Certain Issues Concerning the Management of the Appraisal of State-owned Assets (Order No. 14 of the Ministry of Finance);
16. Accounting Standards for Business Enterprises — Basic Standards (Order No. 33 of the Ministry of Finance) and Decision of the Ministry of Finance on Amending the Accounting Standards for Business Enterprises — Basic Standards (Order No. 76 of the Ministry of Finance);
17. General Principles of Corporate Finance (Order No. 41 of the Ministry of Finance [2006]);
18. Other relevant laws and regulations.

(III) Basis for criteria

1. Basic Standards on Asset Appraisal (Caizi [2017] No. 43);
2. Code of Practice on Asset Appraisal — Asset Appraisal Methods (CAS [2019] No. 35);
3. Code of Practice on Asset Appraisal — Asset Appraisal Reports (CAS [2018] No. 35);
4. Code of Practice on Asset Appraisal — Asset Appraisal Procedures (CAS [2018] No. 36);
5. Code of Practice on Asset Appraisal — Asset Appraisal Files (CAS [2018] No. 37);
6. Code of Professional Ethics for Asset Appraisal (CAS [2017] No. 30);
7. Code of Practice on Asset Appraisal — Asset Appraisal Engagement Contracts (CAS [2017] No. 33);
8. Code of Practice on Asset Appraisal — Real Property (CAS [2017] No. 38);
9. Code of Practice on Asset Appraisal — Machinery and Equipment (CAS [2017] No. 39);
10. Guide to the Appraisal Report on State-owned Assets of Enterprises (CAS [2017] No. 42);
11. Guide to Quality Control of Asset Appraisal Agency Operations (CAS [2017] No. 46);
12. Guidance on Types of Asset Appraisal Values (CAS [2017] No. 47);
13. Guidance on the Legal Ownership of Asset Appraisal Subjects (CAS [2017] No. 48);
14. Terms for Asset Valuation Standards 2020 (CAS [2020] No. 31).

(IV) Basis of ownership

Other relevant documents of ownership provided by the property right holder.

(V) Basis for pricing

1. Relevant national industrial policies, industry analysis data, parameter data, etc.;
2. Loan Prime Rate (LPR) published by the National Interbank Funding Center;

3. Construction Project Cost Index of Changchun for the first half of 2024;
4. Other contracts, accounting documents and other information related to the acquisition and use of assets by the enterprise.

(VI) Other bases of reference

1. A detailed statement of asset appraisal declaration provided by the property right holder;
2. On-site investigation questionnaire and other information collected and sorted out by asset appraisal professionals;
3. The latest version of the Handbook of Common Methods and Parameters of Asset Valuation;
4. Real Estate Valuation Code of the People's Republic of China (GB/T50291 -2015);
5. Other information relevant to the valuation.

VII. APPRAISAL METHODS

(I) Introduction of appraisal methods

The market approach in asset value appraisal refers to the appraisal approach that compares the appraised subject with comparable assets or assets with transaction cases in the market to determine the value of the appraised subject.

The income approach in asset value appraisal refers to the appraisal approach that determines the appraised value by capitalizing or discounting the expected earnings of the asset. The income approach measures the value of an asset from the perspective of the profitability thereof based on the economic expected utility theory.

The cost approach in asset value appraisal is as follows. Firstly, the replacement cost is determined by all cost required to re-construct a brand-new appraised asset under the current condition. Then the newness rate is determined by the comparison between the appraised asset and the brand-new one. The appraised value is determined by the replacement cost multiplying the newness rate.

The scope of this appraisal is composed of machinery and equipment, which do not have any profitability individually, and factors including future income and cost cannot be predicted or quantified in terms of currency, therefore it is not appropriate to adopt income approach for this appraisal. It is difficult to collect transaction records of assets comparable to the appraised subject in the market, therefore it is not appropriate to adopt market approach for this appraisal. Subject to the analysis, it is determined to adopt cost approach for this appraisal.

(II) Technical idea and model of the cost approach

The cost approach adopted in this project is an appraisal technical idea for determining the value of the appraised subject by using the amount of investment required to reconstruct an independently profitable enterprise with the same on- and off-balance sheet assets and liabilities as those of the appraised subject as at the appraisal benchmark date, as a basis for determining the value of the assets to add up the appraisal value of the assets and liabilities of the various elements that make up the enterprise determined by specific appraisal approaches appropriate to the specific circumstances.

(III) Appraisal process of the cost approach

Fixed assets mainly include machinery and equipment, vehicle and electronic equipment.

1. Fixed assets — equipment

The income approach is unsuitable for this appraisal as the machinery and equipment included in the appraisal do not have independent profit-generating capabilities; it is not appropriate to adopt the market approach either as it is not possible to find comparable references that are identical and consistent in the current market; therefore, the replacement cost approach is appropriate for this appraisal.

The replacement cost approach refers to appraisal approaches in which the replacement cost of the appraised asset is first estimated and then depreciation factors already present in the appraised asset are estimated and deducted from the replacement cost to arrive at the value of the appraised asset.

Appraised value = replacement cost × integrated newness rate

(1) Determination of replacement cost

For standard machineries and equipment, their tax-exclusive price is determined by combining the original book value with the price growth index, and their replacement cost is determined based on the transportation and miscellaneous costs, installation and commissioning fee and cost of necessary auxiliary parts to bring the equipment to the condition ready for use, and construction preliminary costs and other expenses and capital cost calculated based on the current market fee rates in the region where the appraised assets are located.

(2) Determination of newness rate

Determination of the newness rate of major machineries and equipment:

Economic life of machinery and equipment: determined with reference to the Handbook of Common Methods and Parameters for Asset Appraisal;

Used life: determined based on the period from the installation and usage date to the appraisal benchmark date, with reference to the equipment's operational rate;

Newness rate by useful life approach = (economic life — used life)/economic life × 100%

Newness rate by inspection approach = Σ score from technical observation and analysis × weight of each component's score × 100%

Integrated newness rate = newness rate by useful life approach × 40% + newness rate by inspection approach × 60%

(3) *Determination of appraised value*

Appraised value = replacement cost × integrated newness rate.

2. Fixed assets — vehicle

Appraised value of vehicle = replacement cost × integrated newness rate.

Determination of replacement cost of vehicle

The full replacement price of a vehicle consists of the non-taxed purchase price, the purchase surtax, and other costs (inspection fee, licence fee, handling fee, etc.).

Purchase price: determined with reference to the market price of the latest transaction of similar vehicle models in the location where the vehicle is located. For some vehicles which have been discontinued, the purchase price is determined with reference to the market price of alternative vehicle models of the same brand with similar performance, and other costs are determined in accordance with the reasonable level of fees and charges of the local vehicle management departments.

Determination of newness rate of vehicle

The theoretical newness rate is determined in accordance with the principle of the lower of the mileage method or the scoring method, and then the discount rate is adjusted according to the functional and economic depreciation of the vehicle in the light of the on-site inspection of the vehicle, so that the multiplier of the theoretical newness rate and the discount rate will be taken as the newness rate of the vehicle, which is set out in the following formula:

Newness rate determined by the scoring method = the assessor conducts a comprehensive on-site investigation of the current condition of the vehicle and assigns a score, which is used to determine the newness rate determined by the scoring method.

Newness rate determined by the mileage method = (specified mileage — mileage driven)/specified mileage × 100%

Newness rate = theoretical newness rate × (1 — discount rate)

3. *Fixed assets — electronic equipment*

Appraised value = replacement cost × integrated newness rate

Determination of replacement cost of electronic equipment

For office equipment such as computers and printers, as well as electronic equipment with a relatively low unit value, the replacement cost is mainly determined by referring to price information to determine the current market price excluding tax, which is then used as the replacement cost (since this type of equipment is general-purpose equipment, most of it does not require installation or free on-site installation by the supplier, and the unit value is relatively low, therefore, equipment transportation and miscellaneous fees, installation and commissioning fees, capital costs, etc. are not taken into consideration).

Determination of newness rate of electronic equipment

For small equipment such as electronic equipment and air conditioning equipment, the integrated newness rate is mainly determined based on its economic life. For large electronic equipment, the integrated newness rate is determined by referring to its working environment and operating conditions.

(IV) Appraisal methods for intangible assets

Intangible assets are the land use rights owned by an enterprise.

- (1) Regarding the appraisal of land use rights, in accordance with the Regulations on the Valuation of Urban Land (《城镇土地估价规程》) and the specific conditions, land use nature, and appraisal purpose of the appraised plot, combined with the relevant information collected by the appraiser, and in accordance with the technical rules for land price appraisal, an appropriate appraisal method is selected based on the development level of the local real estate market. Commonly used appraisal methods include the market comparison method, the income capitalisation method, the residual method, the cost approach method, and the benchmark land price coefficient adjustment method.

- ① Through preliminary analysis, the appraised subject has substitutability, and the market also has a substitutable environment. Therefore, in accordance with the principle of substitutability, and since the appraised land price is the market value, the method that best reflects market competition should be used to calculate the land price. However, in the past two years, the area

surrounding the appraised subject has been fully developed, there are no plots of land for sale, and there have been no transactions of similar plots of land in the secondary market. Therefore, the market comparison method is not feasible and cannot be used in this case.

- ② The residual method is applicable to real estate with development or redevelopment potential, and is generally applicable to real estate that can be redeveloped, renovated, or converted for other uses. The appraised subject has been developed and is other transportation land for enterprise self-use, and the future planning conditions are unknown, so the residual method is not applicable to this appraisal.
- ③ The income value of the income capitalisation method is derived from the market, but according to the appraiser's investigation, the rental market in the area where the appraised property is located is immature, and there are no cases of pure land leasing, so it is impossible to obtain objective market rents. Therefore, it was ultimately deemed unsuitable as the valuation method for this appraisal.
- ④ Cost approach method: the basic idea of the cost approach method is to treat all investments in land, including land acquisition costs and infrastructure development costs, as "basic costs". Using the economic principle that equal amounts of capital should generate equal amounts of income, the corresponding profits and interest generated by the "basic costs" are added to form the base price of the land. At the same time, based on the need for the economic realisation of state ownership of land, the income attributable to land ownership is added to obtain the land price. The cost approach method can be used in theory to calculate the land price, but as there has been no large-scale land expropriation in the vicinity of the appraised land in the recent past, it is difficult to collect relevant documents to calculate the land use cost. Therefore, the cost approach method is not used in this appraisal.
- ⑤ Benchmark land price coefficient adjustment method: the benchmark land price coefficient adjustment method is a publicly announced land price with certain stage characteristics. It uses the benchmark land price assessment or update results to determine the corresponding adjustment coefficient based on a comparison of the regional conditions and individual conditions of the land being appraised with the average conditions of the region in which it is located. This adjustment coefficient is then used to adjust the benchmark land price to obtain the price of the land being appraised at the time of appraisal. The appraised subject is located within the benchmark land price range of Changchun City, so this method can be used. The benchmark land price currently used in Changchun City was updated and announced in 2024, which meets the conditions for the use of benchmark land prices in terms of time,

and the relevant adjustment coefficients are complete and operational, so the benchmark land price coefficient adjustment method is suitable for this appraisal.

After comprehensive consideration, the benchmark land price coefficient adjustment method is adopted for appraising the land use rights.

VIII. PROCESS AND IMPLEMENTATION OF THE APPRAISAL PROCEDURES

- (I) Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), intending to transfer its assets, decided to engage us to assess the asset value of the property right holder after contact with us. Upon accepting the engagement, we determined the appraisal purpose and the value type of the appraised subject based on the characteristics of the corresponding economic activity for this engagement, and gained a preliminary understanding of the appraised subject and the scope of appraisal. The appraisal benchmark date was agreed upon in consultation with the client, followed by the drafting of the appraisal plan and signing of the appraisal engagement contract.
- (II) In accordance with the Code of Practice on Asset Appraisal — Asset Appraisal Procedures, we provided the property right holder with the necessary asset appraisal forms and guided the property right holder through the asset inspection and form completion process. After completing the said preparatory tasks, our professional asset appraisal team conducted an on-site evaluation. This involved inquiries, confirmations, reconciliations, monitoring, inspections and other methods to gather the necessary information. We obtained an understanding of the economic and technical utilization conditions as well as the legal ownership status of the assets, analyzed the specific situation of the appraised subject, collected financial data of the company for recent time and as of the appraisal benchmark date, verified whether the appraisal data provided by the company aligned with its accounting records to assure the authenticity and completeness of the documentation requested, and paid special attention to the legal ownership status of the assets.
- (III) In accordance with relevant laws, standards and pricing principles regarding to appraisal, we applied suitable appraisal methods based on the specific characteristics of the assets. Market price information was collected to serve as a reference in determining the appraisal value, and the verified book values were used to estimate the appraisal value.
- (IV) We summarized the appraisal results, analyzed the appraisal conclusions, compiled the appraisal report, conducted an internal three-level review, and submitted the appraisal report.

IX. APPRAISAL ASSUMPTIONS

The appraisal conclusions of the appraised subject are based on the following assumptions and limitations. If these assumptions or conditions are not reasonably met, the appraisal conclusions in this report may vary to different degrees.

(I) General assumptions

1. Transaction assumption: It is assumed that all assets to be appraised are already in the course of transaction. The asset appraiser is valuing the assets to be appraised based on a simulated market, such as the transaction conditions of the assets to be appraised.
2. Open market assumption: It is assumed that with respect to the assets traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets.
3. Assumption of continued use of assets: It is assumed that the appraised assets will continue to be used legally and effectively in accordance with the planned use and conditions of use, such as the manner, scale, frequency and environment, and will not undergo material changes during the foreseeable period of use.

(II) Special assumptions

1. Assuming that there are no significant changes in the relevant existing laws, regulations and policies, the national macro-economical situation in China and the political, economic and social environment of the regions in which the parties to this transaction are located.
2. Assuming that there are no material changes in interest rates, exchange rates, tax bases and tax rates, policy levies, etc. relating to the property right holder after the appraisal benchmark date.
3. Assuming that the processes of acquiring, obtaining and constructing the assets involved in the appraised subject are all in compliance with the provisions of relevant laws and regulations in China.
4. Assuming that the property rights of equipment included in the scope of the appraisal, belong to Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司).

X. APPRAISAL CONCLUSIONS

After implementing the different appraisal approaches and procedures described above, the following appraisal conclusions are reached on the market value of certain assets of Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司) as at 17 March 2025 in relation to the purpose of the proposed transfer of assets by the Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司):

After appraised under cost approach, the total net book assets of Dongsheng Boiler Room of Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司) before appraisal amounted to RMB23,665,607.34, with an appraised value of RMB49,160,567.41, representing an appraisal added value of RMB25,494,960.07 or an added value rate of 107.73%; the total net book assets of Jingyi Boiler Room before appraisal amounted to RMB20,928,018.77, with an appraised value of RMB56,910,781.67, representing an appraisal added value of RMB35,982,762.90 or an added value rate of 171.94%; the total net book assets of boiler room at Jilin University Nanling Campus before appraisal amounted to RMB752,129.48, with an appraised value of RMB7,858,672.57, representing an appraisal added value of RMB7,106,543.09 or an added value rate of 944.9%.

The appraised value of the assets of Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司) is as follows: Dongsheng Boiler Room: RMB49,160,567.41; Jingyi Boiler Room: RMB56,910,781.67; Boiler Room at Jilin University Nanling Campus: RMB7,858,672.57.

The validity period for the use of the appraisal conclusions is one year from the appraisal benchmark date, and the asset appraisal report shall not be used beyond the validity period of this report.

The appraisal conclusions have been arrived at in accordance with the purpose, assumptions and limitations, basis, approaches and procedures set out in this asset appraisal report and the appraisal conclusions are only valid if the said purpose, basis, assumptions and premises exist and the appraisal conclusions serve the purpose of this appraisal only.

XI. STATEMENT OF SPECIAL MATTERS

(I) Ownership defect

For large equipment such as boilers included in the scope of appraisal, according to the property rights description provided by the clients, the purchase contract cannot be found due to various reasons such as the transfer of internal management personnel of the property right holder, so the property rights are confirmed only through the Special Equipment Use Registration Certificate of the People's Republic of China provided by the property right holder.

Check relevant documents: Firstly, check all documents related to the asset, including purchase contracts, transfer agreements, certificates of title, etc., to determine the historical ownership record of the asset;

Seek legal advice: If necessary, consult a lawyer or legal expert to explain the relevant laws, regulations and cases to help determine the ownership of assets;

Adjustment of appraisal methodology: In the appraisal process, multiple methods of asset appraisal can be used to consider the possibility of different ownership propositions, thereby reducing uncertainty;

In case of unclear ownership of assets, it is necessary to make use of a combination of methods such as inspection of documents, investigation of the parties and legal advice to ensure the accuracy and reliability of the appraisal results.

(II) Explanation of incomplete appraisal information

For the information on construction drawings and project budget (settlement) within the scope of this assessment that the property right holder were unable to provide, the appraisers conducted the evaluation and calculations by referencing relevant information of similar projects.

- (III) Due to the lack of access to sufficiently abundant relevant market transaction statistic information and the lack of a basis for analysis and judgment on the extent of the impact of liquidity on the value of the appraisal subjects, the appraisal results of the cost approach used in this exercise do not take into account the liquidity discount factor.
- (IV) The asset appraisal institution and the asset appraisal professionals shall not be liable for any other defective matters that may exist on the part of the clients and the property right holder that may affect the appraisal conclusions, if the clients and the property right holder have not specifically stated thereto and the asset appraisal professionals have performed the appraisal procedures and still cannot be informed of them.
- (V) The appraisal conclusions have not considered the impact on the appraisal conclusions of possible future mortgage and guarantee matters to be undertaken, as well as possible additional or reduced prices to be paid by special counterparties, etc. The appraisal conclusions have also not considered the impact of changes in national macroeconomic policies and the impact of natural forces and other force majeure on the value of the appraisal subject; if the aforesaid conditions and other assumptions and premises such as the going concern principle followed in the appraisal change, the appraisal conclusions would generally be invalidated and the user of the report cannot use this appraisal report, otherwise the user of the report shall bear all consequences.

- (VI) The appraisal conclusions have not taken into account the tax liabilities arising from the appraisal increase or decrease in value of the appraisal subject, and the final tax liabilities to be undertaken shall be based on the amount of tax liabilities approved by the local tax authorities.
- (VII) If there is a material change in the number of assets between the appraisal report date and the validity of the appraisal report, the amount of assets should be adjusted accordingly; if there is a change in the asset price criteria which has a significant impact on the appraisal conclusions, a reappraisal should be carried out.
- (VIII) The assets value is tax-exclusive in this appraisal.

The treatment of the aforesaid special matters and the possible impact of the special matters on the appraisal conclusions are brought to the attention of the users of the asset appraisal report for their impact on economic behaviour.

XII. NOTE ON LIMITATIONS ON THE USE OF THE APPRAISAL REPORT

- (I) The asset appraisal report may only be used for the appraisal purposes and usage expressively indicated.
- (II) The asset appraisal report may only be used by the report users as specified in the report, unless otherwise required by national laws and regulations. The asset appraisal organization and its asset appraisers shall not be liable if the client or other users of the asset appraisal report fail to use the asset appraisal report in accordance with the provisions of laws and administrative regulations and the scope of use set out in the asset appraisal report. Except for the client, other users of the asset appraisal report as agreed in the asset appraisal engagement contract and the users of the asset appraisal report as required by laws and administrative regulations, no other institution and individual can be the user of the asset appraisal report.
- (III) Users of the asset appraisal report should properly understand and use the appraisal conclusions, which do not represent the price that could be realized for the appraised subject and should not be considered as a guarantee of the price that could be realized for the appraised subject.
- (IV) If the asset appraisal report is required to be submitted to the relevant authorities for filing in accordance with the current national regulations, it will not be officially used until the reply is received. This appraisal report may not be used without obtaining the filing documents from the relevant authorities of the state-owned assets.
- (V) The contents of the asset appraisal report shall not be extracted, cited or disclosed in the public media without the consent of the asset appraisal organization, except as required by laws and regulations and as otherwise agreed by the relevant parties.

(VI) The right of interpretation of the asset appraisal report shall be vested on the asset appraisal organization for this project solely, except as otherwise required by national laws and regulations.

XIII. APPRAISAL REPORT DATE

The date of the asset appraisal report is 30 May 2025.

The supplementary notes provides further explanation on the appraisal of the assets but do not form part of the valuation report.

Supplementary Notes

The total net book value of the Target Assets I amounted to RMB45,345,755.59 and the appraised value of the Target Assets I as at the Valuation Date amounted to RMB113,930,021.65, representing an appraisal added value of RMB68,584,266.06 or an added value rate of 151.25%. Specifically, (a) the total net book value of the assets of the Dongsheng Boiler Room amounted to RMB23,665,607.34, with an appraised value of RMB49,160,567.41, representing an appraisal added value of RMB25,494,960.07 or an added value rate of 107.73%; (b) the total net book value of the assets of the Jingyi Boiler Room amounted to RMB20,928,018.77, with an appraised value of RMB56,910,781.67, representing an appraisal added value of RMB35,982,762.90 or an added value rate of 171.94%; and (c) the total net book value of the assets of the Jilin University Nanling Campus amounted to RMB752,129.48, with an appraised value of RMB7,858,672.57, representing an appraisal added value of RMB7,106,543.09 or an added value rate of 944.9%.

I. APPRAISAL CONCLUSIONS

The process of the appraiser's assessment and calculation of the appraised assets is as follows:

Fixed assets — machinery and equipment

This type of assets is appraised and calculated using the cost approach. The cost approach refers to appraisal approaches in which the replacement cost of the appraised asset is first estimated and then depreciation factors already present in the appraised asset are estimated and deducted from the replacement cost to arrive at the value of the appraised asset.

Appraised value = replacement cost × integrated newness rate

For standard machineries and equipment, their tax-exclusive price is determined by combining the original book value with the price growth index, and their replacement cost is determined based on the transportation and miscellaneous costs, installation and commissioning fee and cost of necessary auxiliary parts to bring the equipment to the condition ready for use, and construction preliminary costs and other expenses and capital cost calculated based on the current market fee rates in the region where the appraised assets are located.

Replacement cost=tax-exclusive price × (1+transportation and miscellaneous costs rate +installation and commissioning fee rate + basic fee rate) × (1+preliminary and other expenses rate) × (1+capital cost rate)

Machinery and equipment assets include a total of 386 items such as machinery and equipment, vehicle, and electronic equipment. Specifically, there are 323 machinery and equipment, 1 vehicle, and 62 electronic equipment. The total appraised value amounted to RMB48,718,469.73.

The replacement cost of machinery and equipment assets ranges from RMB298 to RMB12,978,255.53.

In determining the integrated newness rate, the appraisers take into account the economic life and the used life of the appraisal subjects. The economic life of the appraisal subjects ranges from 8 to 15 years, and the used life ranges from 0.25 to 23.23 years. The integrated newness rate adopted by the appraisers in the appraisal process of fixed assets — machinery and equipment ranges from 15% to 96%.

During the appraisal process, the newness rate by useful life approach adopted by the appraisers is the theoretical newness rate, without taking into account the actual asset condition of the appraisal subjects. This limitation can be resolved by combining the newness rate determined by the survey method, which reflects the actual condition of the assets. Therefore, the weight of the newness rate determined by the survey method is greater in the appraisal process. Some assets have exceeded their economic life, resulting in a theoretically negative newness rate by useful life approach. In the daily production process of enterprises, the maintenance of relevant assets ensures that assets that have exceeded their useful life can still be used normally. Therefore, in this appraisal process, the weighted and integrated newness rate is adopted as the final newness rate of the assets for calculation.

For equipment that has reached its economic life but remains in normal use, the appraisers adopted a 15% integrated newness rate, which aligns with the industry norm developed based on previous Notice on Forwarding the Opinions on the Operating Procedure for Asset Appraisal (for Trial Implementation) (No. 23 [1996] of the Office of the State-owned Assets Administration Bureau)* (國資辦發[1996]23號國家國有資產管理局關於轉發《資產評估操作規範意見(試行)》的通知), which stipulated that the newness rate of assets under normal operation should not be less than 15% and that the appraised value should not fall below 15% of the replacement cost.

Breakdown of the top eight machinery and equipment with the highest appraised value

No.	Name of Equipment	Carrying Amount		Appraised Value		Newness Rate by Useful Life Approach	Newness Rate by the Survey Method	Integrated Newness Rate
		Original Value	Net Value	Original Value	Net Value			
1	Boiler #2	5,115,044.24	4,296,637.24	4,914,388.29	4,521,237.23	89%	95%	92%
2	Hot Water Boiler #4	11,142,866.22	445,714.65	12,978,255.53	1,946,738.33	-27%	35%	15%
3.	Dust Collector #2	4,385,925.66	3,684,177.46	3,462,560.71	3,150,930.25	86%	95%	91%
4	Boiler	8,096,460.97	323,858.44	8,087,456.06	2,507,111.38	11%	45%	31%
5	Hot Water Boiler #3	9,273,610.45	3,525,830.03	9,792,601.71	3,917,040.68	32%	45%	40%
6	Natural gas steam boiler	3,957,134.75	197,856.74	4,063,137.07	2,397,250.87	57%	60%	59%
7	Natural gas steam boiler	3,957,134.75	197,856.74	4,063,137.07	2,397,250.87	57%	60%	59%
8	Natural gas steam boiler	3,957,134.79	197,856.74	4,063,137.10	2,397,250.89	57%	60%	59%

Intangible assets — land use rights

This type of assets is appraised by using the Benchmark Land Price Coefficient Correction Method. The Benchmark Land Price Coefficient Correction Method is a publicized land price with certain stage characteristics. The current applicable land price document in Changchun is the Notice of the People's Government of Changchun on the Announcement and Implementation the Benchmark Land Price and Other Land Prices in Urban Area of Changchun (Document titled Chang Fu Fa No. [2024]10) (《長春市人民政府關於公佈實施長春市區基準地價等土地價格的通知》(長府發[2024]10號文件)). This document was released on 21 August 2024 and the appraisal benchmark date is 1 January 2023. It meets the requirements for application in terms of time and has a complete benchmark land price correction system, making it highly operational. The benchmark land price is highly applicable both theoretically and operationally. Therefore, the Benchmark Land Price Coefficient Correction Method is adopted as the calculation method for this appraisal.

The Benchmark Land Price Coefficient Correction Method utilizes the valuation results such as the urban benchmark land price and the benchmark land price correction coefficient table. According to the principle of substitution, it compares the regional conditions and individual conditions of the subject land with the average conditions of the region where it is located, and selects the corresponding correction coefficient in accordance with the correction coefficient table to correct the benchmark land price, thereby obtaining the price of the subject land on the appraisal benchmark date.

The basic formula is:

$$\text{Land price} = (\text{benchmark land price} \pm \text{correction value of level of land development}) \times (1 + \text{land price correction coefficient of the land parcel}) \times \text{correction coefficient of plot ratio} \times \text{correction coefficient of tenure} \times \text{correction coefficient of the appraisal benchmark date} \times \text{correction coefficient of special factors}$$

Intangible assets — land use rights include a total of 3 sets of land ownership certificates. The appraised value amounted to RMB65,079,666.

Breakdown of appraisal of intangible assets — land use rights

No.	Number of land ownership certificate	Name of the land parcel	Location of the land	Expiry date	Type of use rights	Approved Land use	Approved tenure	Used tenure	Level of development	Area (m ²)	Appraised unit price (RMB/m ²)	Appraised value (RMB)
1	Chang Guo Yong (2012) No. 050007591	Industrial land	Huairan Road, Erdao District	29 January 2042	Transfer	Industrial land	50	16.88	Seven Connections and One Leveling	22,121	815.00	18,028,615.00
2	Chang Guo Yong (2012) No. 050007592	Industrial land	Huairan Road, Erdao District	29 January 2042	Transfer	Industrial land	50	16.88	Seven Connections and One Leveling	10,924	815.00	8,903,060.00
3	Chang Jing Tu Guo Yong (2005) No. 010822102	Industrial land	North of Weixing Road and South Ring Road in Jingyue Development Zone	13 April 2055	Transfer	Public infrastructure	50	30.09	Seven Connections and One Leveling	29,967	1,273.00	38,147,991.00

II. ANALYSIS OF THE REASONS FOR THE CHANGE IN THE COMPARISON BETWEEN THE APPRAISAL CONCLUSIONS AND THE CARRYING AMOUNT

(I) Dongsheng Boiler Room

The total net book value of the assets of the Dongsheng Boiler Room amounted to RMB23,665,607.34, with an appraised value of RMB49,160,567.41, representing an appraisal added value of RMB25,494,960.07 or an added value rate of 107.73%. The increase in the appraised value was mainly due to:

- (1) the increase in the appraised net value of machinery and equipment, which was mainly due to the fact that the depreciation period provided by the enterprise for some machinery and equipment assets is shorter than the economic life of the machinery and equipment, resulting in the increase in the appraised net value.
- (2) the decrease in the appraised net value of electronic equipment, which was mainly due to the fact that the electronic equipment with a relatively large value is operating system assets. Due to factors such as technological updates, progress in production processes, and program optimization by manufacturing enterprises, the price has decreased. Therefore, the replacement cost of electronic equipment has decreased, resulting in the decrease in the appraised net value.
- (3) the increase in the appraised value of intangible assets as compared to their carrying amount, which was mainly due to the fact that the enterprise amortizes all intangible assets. During the appraisal, the amortization and depreciation of intangible assets are not taken into account since the appraisal subject is an intangible asset. Moreover, the enterprise has acquired the land for a relatively long time. As at the appraisal benchmark date, the land appreciated significantly, resulting in the increase in the appraised value.

(II) Jingyi Boiler Room

The total net book value of the assets of the Jingyi Boiler Room amounted to RMB20,928,018.77, with an appraised value of RMB56,910,781.67, representing an appraisal added value of RMB35,982,762.90 or an added value rate of 171.94%. The increase in the appraised value was mainly due to:

- (1) the increase in the appraised net value of pipes and trenches, which was mainly due to the fact that the pipes and trenches of the enterprise were constructed and put into use for a relatively long time. As at the appraisal benchmark date, the value of raw materials used in production and labor costs of the pipes and trenches have increased, and the construction techniques have improved, resulting in the increase in the appraised net value.
- (2) the increase in the appraised net value of machinery and equipment, which was mainly due to the fact that the depreciation period provided by the enterprise for some machinery and equipment assets is shorter than the economic life of the machinery and equipment, resulting in the increase in the appraised net value.
- (3) the increase in the appraised net value of electronic equipment, which was mainly due to the fact that the greater value of electronic equipment was attributable to the production support equipment such as instruments and meters, which had been acquired for a longer period of time, and the depreciation period provided by the enterprise for these electronic equipment assets was shorter than the economic life of the electronic equipment, resulting in the increase in the appraised net value.
- (4) the increase in the appraised value of intangible assets as compared to their carrying amount, which was mainly due to the fact that the enterprise amortizes all intangible assets. During the appraisal, the amortization and depreciation of intangible assets are not taken into account since the appraisal subject is an intangible asset. Moreover, the enterprise has acquired the land for a relatively long time. As at the appraisal benchmark date, the land appreciated significantly, resulting in the increase in the appraised value.

(III) Boiler Room at Jilin University Nanling Campus

The total net book value of the assets of the Jilin University Nanling Campus amounted to RMB752,129.48, with an appraised value of RMB7,858,672.57, representing an appraisal added value of RMB7,106,543.09 or an added value rate of 944.9%. The increase in the appraised value was mainly due to:

- (1) the increase in the appraised net value of machinery and equipment, which was mainly due to the fact that the depreciation period provided by the enterprise for some machinery and equipment assets is shorter than the economic life of the machinery and equipment, resulting in the increase in the appraised net value.

- (2) the increase in the appraised net value of vehicle, which was mainly due to the fact that the vehicle is depreciated by the enterprise over a period shorter than the economic life of the vehicle, resulting in the increase in the appraised net value.
- (3) the increase in the appraised net value of electronic equipment, which was mainly due to the fact that the greater value of electronic equipment was attributable to the production support equipment such as instruments and meters, which had been acquired for a longer period of time, and the depreciation period provided by the enterprise for these electronic equipment assets was shorter than the economic life of the electronic equipment, resulting in the increase in the appraised net value.

III. DESCRIPTION OF INDIVIDUAL ISSUES

1. **Reasons for not selecting the income approach as the valuation method in the valuation process**

The appraised unit is a heat production enterprise and its assets and income are integral as a whole. The assets included in the scope of valuation are part of its assets, which mainly comprise assets relating to the production of heat energy and do not comprise supporting and ancillary assets and necessary assets comprising the smallest asset portfolio (such as assets relating to heat supply pipelines, heat exchanges and heat supply concessions) such as related licences, and thus it is not possible to separate the income of some of the assets involved in the valuation for the whole. Therefore, the income approach cannot be selected for the valuation of some of the assets.

2. **The underlying reasons for the significant differences between the book value and the appraised value of each asset type during the valuation process**

The type of value used in the valuation is the open and fair market value as at the appraisal benchmark date. The assets of the enterprise in question were acquired in a transaction with an old state-owned enterprise, the original book value of which could not be obtained, and the current book value was derived by normal depreciation of the assets after their arrival in the enterprise's accounts. The financial depreciation of the enterprise was not consistent with the appraisal of the depreciation method, and the acquisition costs and fees relating to the assets were subject to relatively large price changes due to a relatively long period of time. As a result, the difference between the appraised value and the book value is relatively large.

For assets under the category of machinery and equipment, the appraised value is calculated based on the original book value as at the appraisal benchmark date, determined by taking into account the price increase index, excluding tax, or by checking the current market value, excluding tax, and selecting the relevant expenses, and combining them with the integrated newness rate.

For intangible assets (land), the appraised value is calculated based on the benchmark land value as at the appraisal benchmark date, taking into account regional and individual factors, and incorporating the relevant coefficients of the benchmark land price adjustment system.

3. Reasons for the wide range of newness rate used in the valuation process

The equipment appraised in the valuation is not a one-off equipment purchase. As it is an asset of an old state-owned enterprise, it has been gradually developed to its current scale according to the demand for its use and the renewal of its equipment. Therefore, the years of purchase of the equipment are widely distributed, resulting in a wide range of newness rate of equipment. Therefore, the theoretical newness rate is widely distributed.

The logic of wear and tear is different for different types of assets. Machinery and equipment: easily affected by frequency of use and maintenance records; real estate: multi-dimensional factors such as structural aging, renovation and renewal need to be considered; therefore, the surveyed newness rate is widely distributed.

The newness rate of the assets involved in the valuation process was determined by applying the integrated newness rate weighted by both the combined the theoretical newness rate and the newness rate determined by the scoring method. Since the time span is relatively large due to different acquisition dates and years of assets, the integrated newness rate calculated also varies. Therefore, the range of the integrated newness rate varied greatly and widely.

The integrated newness rate for equipment ranges from 15%-96%.

The following is an extract of the asset valuation report dated 30 May 2025 prepared by Jilin Province Gongjian Weihe Real Estate Appraisal Co., Ltd.* in relation to the Proposed Acquisition II.

The asset valuation report was prepared in Chinese and the English version is a translation of the original. In case of discrepancies between the two versions, the Chinese version shall prevail.

Please be aware that the content was extracted from the full text of the asset valuation report and has been adjusted with reference to the scope of assets to be acquired under the Assets Transfer Agreement II.

STATEMENT

I. This asset appraisal report is prepared in accordance with the Basic Guidelines on Asset Appraisal issued by the Ministry of Finance and the Code of Practice and Code of Ethics on Asset Appraisal issued by the China Appraisal Society.

II. The clients or other users of the asset appraisal report shall use the asset appraisal report in accordance with the provisions of laws, administrative regulations and the scope of use set out in this asset appraisal report; the asset appraisal organization and the asset appraisers shall not be held responsible for the failure to use the asset appraisal report in accordance with the foregoing provisions by the clients or other users of the asset appraisal report.

This asset appraisal report is intended to be used solely by the clients, other users of the asset appraisal report as agreed in the asset appraisal engagement contract, and users of the asset appraisal report as stipulated by laws and administrative regulations; other than this, no other institution and individual can become the user of the asset appraisal report.

The asset appraisal organization and the asset appraisers hereby remind the users of the asset appraisal report that it is the responsibility of the users of the asset appraisal report to properly understand and use the appraisal conclusions, and the appraisal conclusions do not represent the price that could be realized for the appraised subject and should not be considered as a guarantee of the price that could be realized for the appraised subject.

III. The asset appraisal organization and the asset appraisers shall abide by laws, administrative regulations and asset appraisal standards, adhere to the principles of independence, objectivity and impartiality, and shall be responsible for the asset appraisal reports issued in accordance with law.

IV. The list of assets and liabilities involved in the appraised subject shall be declared by the clients, the property right holder and confirmed by its signature, seal or other means permitted by law; the clients and other relevant parties shall be responsible for the authenticity, completeness and legality of the information provided by them according to law.

V. The asset appraisal organization and the asset appraisers have no existing or prospective interest in the appraised subject of the asset appraisal report; they have no existing or prospective interest in the relevant parties and are not biased against the relevant parties.

VI. The asset appraisers have conducted on-site investigation of the appraised subject of the asset appraisal report and the assets involved; have paid necessary attention to the legal ownership status of the appraised subject and the assets involved; have checked the legal ownership information of the appraised subject and the assets involved; have made truthful disclosure of the issues identified; and have brought them to the attention of the clients and other relevant parties for perfecting the property rights to satisfy the requirement to issue an asset appraisal report.

VII. The analysis, judgment and results in the asset appraisal report issued by the asset appraisal organization are subject to the assumptions and limitations in the asset appraisal report, and the users of the asset appraisal report should give full consideration to the assumptions, limitations, special matter statements and their impact on the appraisal conclusions contained in the asset appraisal report.

I. CLIENTS, PROPERTY RIGHT HOLDER AND OTHER USERS OF THE ASSET APPRAISAL REPORT

The clients of this appraisal engagement are Changchun Heating Power (Group) Company Limited* and Changchun Yatai Heating Co., Ltd.*. The property right holder is Changchun Heating Power (Group) Company Limited*. The users of the asset appraisal report are the users of the asset appraisal report as agreed in the asset appraisal engagement contract and other users of the asset appraisal report as stipulated by laws and administrative regulations.

(I) The clients and the property right holder

Overview of the client 1 and the property right holder:

1. Unified social credit code: 91220101124001988G
2. Company name: Changchun Heating Power (Group) Company Limited*
3. Legal representative: Song Chi
4. Type: limited liability company (wholly state-owned)
5. Date of establishment: 28 April 1998
6. Registered capital: RMB361,000,000
7. Address: No. 998 Nanhu Road, Nanguan District
8. Scope of operation: general projects: investment activities with own funds; asset management services for investment with own funds; engineering cost consulting business; management of municipal facilities; engineering management services; property management; leasing of mechanical equipment; human resources services (excluding occupational intermediary activities and labour dispatch services); manufacturing of equipment for production of construction materials; manufacturing of hardware products; manufacturing of metal materials; sales of metal materials; coal-based activated carbon and other coal processing; biomass fuel processing; energy-saving management services. (Except for projects subject to approval in accordance with the laws, the business activities shall be conducted independently with the business licenses in accordance with the laws) permitted projects: heat production and supply. (For projects subject to approval in accordance with the laws, the business activities can only be carried out after approval by the relevant departments, and the specific business projects are subject to the approval documents or licenses of the relevant departments)

Overview of the client 2:

1. Unified social credit code: 912201017024277629
2. Company name: Changchun Yatai Heating Co., Ltd.*
3. Legal representative: Liu Changchun
4. Type: limited liability company (solely invested by a legal person, not invested or controlled by natural persons)
5. Date of establishment: 30 October 1998
6. Registered capital: RMB128,700,000
7. Address: Room 407, No. 28, Hongcheng Xiyu, No. 998 Dongnanhu Road, Nanguan District, Changchun City
8. Scope of operation: Wholesale and retail trading of building materials, hardware, steel products, electrical machinery and equipment; heating installation; electromechanical installation engineering, municipal public works, plumbing installation projects (those businesses that are prohibited by the laws, regulations and decisions of the State Council shall not be operated; for items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities).

(II) Relationship between the clients and the property right holder

The client 1 and the property right holder are the same company. The client 2 is a controlled subsidiary of the property right holder.

II. PURPOSE OF THE APPRAISAL

Changchun Heating Power (Group) Company Limited* (“Changre”) intends to transfer some of its assets, and in order to do so, it is necessary to assess the market value of the assets to be transferred to provide a reference for the client 1 to understand the value of the assets.

III. SUBJECT AND SCOPE OF THE APPRAISAL

The appraised subject is the fixed assets (machinery and equipment, and electronic equipment) of Lvyuan Business Division declared by Changchun Heating Power (Group) Company Limited*, with original book value of RMB23,181,221.96 and net book value of RMB7,334,734.13; fixed assets (machinery and equipment, and electronic equipment) of Yongchun Business Division with original book value of RMB20,628,411.99 and net book value of RMB5,586,668.08. (See table below for details)

Details of asset appraisal of Lvyuan Business Division

No.	Item	Carrying Amount		Appraised Value		Value-added Amount	
		Original Value	Net Value	Original Value	Net Value	Original Value	Net Values
I.	Fixed assets	23,181,221.96	7,334,734.13	21,734,617.00	8,495,783.00	-1,446,604.96	1,161,048.87
1	Machinery and equipment	22,631,664.63	6,928,371.64	21,407,631.00	8,216,983.00	-1,224,033.63	1,288,611.36
2	Electronic equipment	549,557.33	406,362.49	326,986.00	278,800.00	-222,571.33	-127,562.49

Details of asset appraisal of Yongchun Business Division

No.	Item	Carrying Amount		Appraised Value		Value-added Amount	
		Original Value	Net Value	Original Value	Net Value	Original Value	Net Values
I.	Fixed assets	20,628,411.99	5,586,668.08	18,476,897.00	7,962,082.00	-2,151,514.99	2,375,413.92
1	Machinery and equipment	19,754,463.36	5,242,960.02	17,956,898.00	7,612,472.00	-1,797,565.36	2,369,511.98
2	Electronic equipment	873,948.63	343,708.06	519,999.00	349,610.00	-353,949.63	5,901.94

IV. TYPE OF VALUE AND DEFINITION

Based on the purpose of this appraisal, market condition, and the characteristics of the assessed assets, the type of value of the appraised subject is determined to be market value.

Market value is the estimated amount by which a willing buyer and a willing seller, each acting rationally and without any compulsion, would have appraised the appraised subject in an arm's length transaction as at the appraisal benchmark date.

V. APPRAISAL BENCHMARK DATE

The appraisal benchmark date of this project is 17 March 2025.

The benchmark date is determined in accordance with economic behaviour documents based on principles such as being conducive to ensuring that the appraisal results effectively serve the purpose of the appraisal, reflecting the latest condition of the relevant assets in a more accurate manner, and being as close as possible to the date on which the relevant economic behaviour is realised to determine the asset appraisal benchmark date.

Considering the need to keep the appraisal benchmark date as close as possible to the date on which the purpose of this valuation is to be realised, the clients have determined the appraisal benchmark date to be 17 March 2025 after consultation among the parties concerned.

VI. BASIS OF THE APPRAISAL

The laws and regulations of the national, local government and relevant departments, standards, ownership basis, and appraisal references that we have followed in the course of this appraisal as well as the documents and information and the basis of reference in this regard, are mainly as follows:

(I) Basis for economic activity

Minutes of the 9th Party Committee Meeting of Changchun Heating Power (Group) Company Limited* (Changre Group) dated 24 April 2025.

(II) Main legal and regulatory basis

1. Asset Appraisal Law of the People's Republic of China (adopted at the Twenty-First Session of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. Law of the People's Republic of China on the State-Owned Assets of Enterprises (adopted at the Fifth Session of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
3. The Civil Code of the People's Republic of China (adopted at the Third Session of the Thirteenth National People's Congress on 28 May 2020 and effective from 1 January 2021);
4. Interim Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council [2003]);
5. Interim Measures for the Administration of the Appraisal of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission [2005]);
6. Notice on Issues Relating to Strengthening the Management of the Appraisal of State-owned Assets of Enterprises (SASAC Property Rights [2006] No. 274);
7. Circular on Matters Relating to the Review of the Appraisal Reports of State-owned Assets of Enterprises (SASAC Property Rights [2009] No. 941);
8. Guidelines for the Filing of State-Owned Asset Appraisal Projects of Enterprises (SASAC Fa Property Rights [2013] No. 64);
9. Measures for Supervision and Administration of Enterprise State-owned Assets Transactions (SASAC and Ministry of Finance [2016] No. 32);

10. Measures on Financial Supervision and Management of the Asset Appraisal Industry (Order No. 97 of the Ministry of Finance);
11. Rules for the Operation of State-owned Property Rights Transactions of Enterprises (SASAC Fa Property Rights [2009] No. 120);
12. Circular on Matters Relating to the Facilitation of the Transfer of State-owned Property Rights of Enterprises (SASAC Fa Property Rights [2014] No. 95);
13. Opinions Regarding the Regulation of the Reform of State-owned Enterprises (Guo Ban Fa [2003] No. 96);
14. Implementation Opinions Regarding the Further Regulation of the Reform of State-owned Enterprises (Guo Ban Fa [2005] No. 60);
15. Provisions on Certain Issues Concerning the Management of the Appraisal of State-owned Assets (Order No. 14 of the Ministry of Finance);
16. Accounting Standards for Business Enterprises — Basic Standards (Order No. 33 of the Ministry of Finance) and Decision of the Ministry of Finance on Amending the Accounting Standards for Business Enterprises — Basic Standards (Order No. 76 of the Ministry of Finance);
17. General Principles of Corporate Finance (Order No. 41 of the Ministry of Finance [2006]);
18. Other relevant laws and regulations.

(III) Basis for criteria

1. Basic Standards on Asset Appraisal (Caizi [2017] No. 43);
2. Code of Practice on Asset Appraisal — Asset Appraisal Methods (CAS [2019] No. 35);
3. Code of Practice on Asset Appraisal — Asset Appraisal Reports (CAS [2018] No. 35);
4. Code of Practice on Asset Appraisal — Asset Appraisal Procedures (CAS [2018] No. 36);
5. Code of Practice on Asset Appraisal — Asset Appraisal Files (CAS [2018] No. 37);
6. Code of Professional Ethics for Asset Appraisal (CAS [2017] No. 30);
7. Code of Practice on Asset Appraisal — Asset Appraisal Engagement Contracts (CAS [2017] No. 33);

8. Code of Practice on Asset Appraisal — Real Property (CAS [2017] No. 38);
9. Code of Practice on Asset Appraisal — Machinery and Equipment (CAS [2017] No. 39);
10. Guide to the Appraisal Report on State-owned Assets of Enterprises (CAS [2017] No. 42);
11. Guide to Quality Control of Asset Appraisal Agency Operations (CAS [2017] No. 46);
12. Guidance on Types of Asset Appraisal Values (CAS [2017] No. 47);
13. Guidance on the Legal Ownership of Asset Appraisal Subjects (CAS [2017] No. 48);
14. Terms for Asset Valuation Standards 2020 (CAS [2020] No. 31).

(IV) Basis of ownership

Invoices provided by the clients;

A detailed statement of asset appraisal declaration provided by the clients;

Other relevant documents of ownership provided by the clients.

(V) Basis for pricing

1. Relevant national industrial policies, industry analysis data, parameter data, etc.;
2. Loan Prime Rate (LPR) published by the National Interbank Funding Center;
3. Construction Project Cost Index of Changchun for the first half of 2024;
4. Relevant market enquiry information;
5. Other contracts, accounting documents and other information related to the acquisition and use of assets by the enterprise.

(VI) Other bases of reference

1. On-site investigation questionnaire and other information collected and sorted out by asset appraisal professionals;
2. The latest version of the Handbook of Common Methods and Parameters of Asset Valuation;
3. Real Estate Valuation Code of the People's Republic of China (GB/T50291 -2015);

4. Other information relevant to the valuation.

VII. APPRAISAL METHODS

(I) Introduction of appraisal methods

The market approach in asset value appraisal refers to the appraisal approach that compares the appraised subject with comparable assets or assets with transaction cases in the market to determine the value of the appraised subject.

The income approach in asset value appraisal refers to the appraisal approach that determines the appraised value by capitalizing or discounting the expected earnings of the asset. The income approach measures the value of an asset from the perspective of the profitability thereof based on the economic expected utility theory.

The cost approach in asset value appraisal is as follows. Firstly, the replacement cost is determined by all cost required to re-construct a brand-new appraised asset under the current condition. Then the newness rate is determined by the comparison between the appraised asset and the brand-new one. The appraised value is determined by the replacement cost multiplying the newness rate.

The scope of this appraisal is composed of machinery and equipment, which do not have any profitability individually, and factors including future income and cost cannot be predicted or quantified in terms of currency, therefore it is not appropriate to adopt income approach for this appraisal. It is difficult to collect transaction records of assets comparable to the appraised subject in the market, therefore it is not appropriate to adopt market approach for this appraisal. Subject to the analysis, it is determined to adopt cost approach for this appraisal.

(II) Technical idea and model of the cost approach

The cost approach adopted in this project is an appraisal technical idea for determining the value of the appraised subject by using the amount of investment required to reconstruct an independently profitable enterprise with the same on- and off-balance sheet assets and liabilities as those of the appraised subject as at the appraisal benchmark date, as a basis for determining the value of the assets to add up the appraisal value of the assets and liabilities of the various elements that make up the enterprise determined by specific appraisal approaches appropriate to the specific circumstances.

(III) Appraisal process of the cost approach

Fixed assets mainly include machinery and equipment as well as electronic equipment.

1. Fixed assets — equipment

The income approach is unsuitable for this appraisal as the machinery and equipment included in the appraisal do not have independent profit-generating capabilities; it is not appropriate to adopt the market approach either as it is not possible to find similar comparable references in the current market; therefore, the replacement cost approach is appropriate for this appraisal.

The replacement cost approach refers to appraisal approaches in which the replacement cost of the appraised asset is first estimated and then depreciation factors already present in the appraised asset are estimated and deducted from the replacement cost to arrive at the value of the appraised asset.

Appraised value = replacement cost × integrated newness rate

(1) Determination of replacement cost

For standard machineries and equipment, their tax-exclusive price is determined by combining the original book value with the price growth index, and their replacement cost is determined based on the transportation and miscellaneous costs, installation and commissioning fee and cost of necessary auxiliary parts to bring the equipment to the condition ready for use, and construction preliminary costs and other expenses and capital cost calculated based on the current market fee rates in the region where the appraised assets are located.

(2) Determination of newness rate

Determination of the newness rate of major machineries and equipment:

Economic life of machinery and equipment: determined with reference to the Handbook of Common Methods and Parameters for Asset Appraisal;

Used life: determined based on the period from the installation and usage date to the appraisal benchmark date, with reference to the equipment's operational rate;

Newness rate by useful life approach = (economic life — used life)/economic life × 100%

Newness rate by inspection approach = Σ score from technical observation and analysis × weight of each component's score × 100%

Integrated newness rate = newness rate by useful life approach × 40% +
newness rate by inspection approach × 60%

(3) *Determination of appraised value*

Appraised value = replacement cost × integrated newness rate.

2. Fixed assets — electronic equipment

Appraised value = replacement cost × integrated newness rate

Determination of replacement cost of electronic equipment

For safety monitoring systems and flue gas online monitoring equipment, relevant data and information on asset reacquisition costs can be obtained by appraisers, which is then used as the replacement cost (since most of this type of equipment does not require installation or free on-site installation by the supplier, therefore, equipment transportation and miscellaneous fees, installation and commissioning fees, capital costs, etc. are not taken into consideration).

Determination of newness rate of electronic equipment

For electronic equipment, the integrated newness rate is mainly determined based on its economic life. For large electronic equipment, the integrated newness rate is determined by referring to its working environment and operating conditions.

VIII. PROCESS AND IMPLEMENTATION OF THE APPRAISAL PROCEDURES

Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), intending to transfer its assets, decided to engage us to assess the asset value of the property right holder after contact with us. Upon accepting the engagement, we determined the appraisal purpose and the value type of the appraised subject based on the characteristics of the corresponding economic activity for this engagement, and gained a preliminary understanding of the appraised subject and the scope of appraisal. The appraisal benchmark date was agreed upon in consultation with the client, followed by the drafting of the appraisal plan and signing of the appraisal engagement contract.

In accordance with the Code of Practice on Asset Appraisal — Asset Appraisal Procedures, we provided the property right holder with the necessary asset appraisal forms and guided the property right holder through the asset inspection and form completion process. After completing the said preparatory tasks, our professional asset appraisal team conducted an on-site evaluation. This involved inquiries, confirmations, reconciliations, monitoring, inspections and other methods to gather the necessary information. We obtained an understanding of the economic and technical utilization conditions as well as the legal ownership status of the assets, analyzed the specific situation of the appraised subject, collected financial data of the company for recent time and as of

the appraisal benchmark date, verified whether the appraisal data provided by the company aligned with its accounting records to assure the authenticity and completeness of the documentation requested, and paid special attention to the legal ownership status of the assets.

In accordance with relevant laws, standards and pricing principles regarding to appraisal, we applied suitable appraisal methods based on the specific characteristics of the assets. Market price information was collected to serve as a reference in determining the appraisal value, and the verified book values were used to estimate the appraisal value.

We summarized the appraisal results, analyzed the appraisal conclusions, compiled the appraisal report, conducted an internal three-level review, and submitted the appraisal report.

IX. APPRAISAL ASSUMPTIONS

The appraisal conclusions of the appraised subject are based on the following assumptions and limitations. If these assumptions or conditions are not reasonably met, the appraisal conclusions in this report may vary to different degrees.

(I) General assumptions

1. Transaction assumption: It is assumed that all assets to be appraised are already in the course of transaction. The asset appraiser is valuing the assets to be appraised based on a simulated market, such as the transaction conditions of the assets to be appraised.
2. Open market assumption: It is assumed that with respect to the assets traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets.
3. Assumption of continued use of assets: It is assumed that the appraised assets will continue to be used legally and effectively in accordance with the planned use and conditions of use, such as the manner, scale, frequency and environment, and will not undergo material changes during the foreseeable period of use.

(II) Special assumptions

1. Assuming that there are no significant changes in the relevant existing laws, regulations and policies, the national macro-economical situation in China and the political, economic and social environment of the regions in which the parties to this transaction are located.
2. Assuming that there are no material changes in interest rates, exchange rates, tax bases and tax rates, policy levies, etc. relating to the property right holder after the appraisal benchmark date.

3. Assuming that the processes of acquiring, obtaining and constructing the assets involved in the appraised subject are all in compliance with the provisions of relevant laws and regulations in China.
4. Assuming that the property rights included in the scope of the appraisal, belong to Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司).

X. APPRAISAL CONCLUSIONS

After implementing the different appraisal approaches and procedures described above, the following appraisal conclusions are reached on the market value of certain assets of Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司) as at 17 March 2025 in relation to the purpose of the proposed transfer of assets by the Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司):

After appraised under cost approach, the total net book assets of Lvyuan Business Division before appraisal amounted to RMB7,334,734.13, with a appraised value of RMB8,495,783.00, representing an appraisal added value of RMB1,161,048.87 or an added value rate of 15.83%; the total net book assets of Yongchun Business Division before appraisal amounted to RMB5,586,668.08, with an appraised value of RMB7,962,082.00, representing an appraisal added value of RMB2,375,413.92 or an added value rate of 42.52%.

The appraised value of the assets of Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司) is as follows: Lvyuan Business Division: RMB8,495,783.00; Yongchun Business Division: RMB7,962,082.00.

The validity period for the use of the appraisal conclusions is one year from the appraisal benchmark date, and the asset appraisal report shall not be used beyond the validity period of this report.

The appraisal conclusions have been arrived at in accordance with the purpose, assumptions and limitations, basis, approaches and procedures set out in this asset appraisal report and the appraisal conclusions are only valid if the said purpose, basis, assumptions and premises exist and the appraisal conclusions serve the purpose of this appraisal only.

XI. STATEMENT OF SPECIAL MATTERS

(I) Ownership defect

For large equipment such as boilers included in the scope of appraisal, according to the property rights description provided by the clients, the purchase contract cannot be found due to various reasons such as the transfer of internal management personnel of the property right holder, so the property rights are confirmed only through the Special Equipment Use Registration Certificate of the People's Republic of China provided by the property right holder.

Check relevant documents: Firstly, check all documents related to the asset, including purchase contracts, transfer agreements, certificates of title, etc., to determine the historical ownership record of the asset;

Seek legal advice: If necessary, consult a lawyer or legal expert to explain the relevant laws, regulations and cases to help determine the ownership of assets;

Adjustment of appraisal methodology: In the appraisal process, multiple methods of asset appraisal can be used to consider the possibility of different ownership propositions, thereby reducing uncertainty;

In case of unclear ownership of assets, it is necessary to make use of a combination of methods such as inspection of documents, investigation of the parties and legal advice to ensure the accuracy and reliability of the appraisal results.

(II) Explanation of incomplete appraisal information

For the information on construction drawings and project budget (settlement) within the scope of this assessment that the property right holder were unable to provide, the appraisers conducted the evaluation and calculations by referencing relevant information of similar projects.

(III) Due to the lack of access to sufficiently abundant relevant market transaction statistic information and the lack of a basis for analysis and judgment on the extent of the impact of liquidity on the value of the appraisal subjects, the appraisal results of the cost approach used in this exercise do not take into account the liquidity discount factor.

(IV) The asset appraisal institution and the asset appraisal professionals shall not be liable for any other defective matters that may exist on the part of the clients and the property right holder that may affect the appraisal conclusions, if the clients and the property right holder have not specifically stated thereto and the asset appraisal professionals have performed the appraisal procedures and still cannot be informed of them.

(V) The appraisal conclusions have not considered the impact on the appraisal conclusions of possible future mortgage and guarantee matters to be undertaken, as well as possible additional or reduced prices to be paid by special counterparties, etc. The appraisal conclusions have also not considered the impact of changes in national macroeconomic policies and the impact of natural forces and other force majeure on the value of the appraisal subject; if the aforesaid conditions and other assumptions and premises such as the going concern principle followed in the appraisal change, the appraisal conclusions would generally be invalidated and the user of the report cannot use this appraisal report, otherwise the user of the report shall bear all consequences.

- (VI) The appraisal conclusions have not taken into account the tax liabilities arising from the appraisal increase or decrease in value of the appraisal subject, and the final tax liabilities to be undertaken shall be based on the amount of tax liabilities approved by the local tax authorities.
- (VII) If there is a material change in the number of assets between the appraisal report date and the validity of the appraisal report, the amount of assets should be adjusted accordingly; if there is a change in the asset price criteria which has a significant impact on the appraisal conclusions, a reappraisal should be carried out.
- (VIII) The assets value is tax-exclusive in this appraisal.

The treatment of the aforesaid special matters and the possible impact of the special matters on the appraisal conclusions are brought to the attention of the users of the asset appraisal report for their impact on economic behaviour.

XII. NOTE ON LIMITATIONS ON THE USE OF THE APPRAISAL REPORT

- (I) The asset appraisal report may only be used for the appraisal purposes and usage expressively indicated.
- (II) The asset appraisal report may only be used by the report users as specified in the report, unless otherwise required by national laws and regulations. The asset appraisal organization and its asset appraisers shall not be liable if the client or other users of the asset appraisal report fail to use the asset appraisal report in accordance with the provisions of laws and administrative regulations and the scope of use set out in the asset appraisal report. Except for the client, other users of the asset appraisal report as agreed in the asset appraisal engagement contract and the users of the asset appraisal report as required by laws and administrative regulations, no other institution and individual can be the user of the asset appraisal report.
- (III) Users of the asset appraisal report should properly understand and use the appraisal conclusions, which do not represent the price that could be realized for the appraised subject and should not be considered as a guarantee of the price that could be realized for the appraised subject.
- (IV) If the asset appraisal report is required to be submitted to the relevant authorities for filing in accordance with the current national regulations, it will not be officially used until the reply is received. This appraisal report may not be used without obtaining the filing documents from the relevant authorities of the state-owned assets.
- (V) The contents of the asset appraisal report shall not be extracted, cited or disclosed in the public media without the consent of the asset appraisal organization, except as required by laws and regulations and as otherwise agreed by the relevant parties.

(VI) The right of interpretation of the asset appraisal report shall be vested on the asset appraisal organization for this project solely, except as otherwise required by national laws and regulations.

XIII. APPRAISAL REPORT DATE

The date of the asset appraisal report is 30 May 2025.

The supplementary notes provides further explanation on the appraisal of the assets but do not form part of the valuation report.

Supplementary Notes

The total net book value of the Target Assets II amounted to RMB12,921,402.21 and the appraised value of the Target Assets II as at the Valuation Date amounted to RMB16,457,865.00, representing an appraisal added value of RMB3,536,462.79 or an added value rate of 27.37%. Specifically, (a) the total net book value of the assets of the Lvyuan Business Division amounted to RMB7,334,734.13, with an appraised value of RMB8,495,783.00, representing an appraisal added value of RMB1,161,048.87 or an added value rate of 15.83%; and (b) the total net book value of the assets of the Yongchun Business Division amounted to RMB5,586,668.08, with an appraised value of RMB7,962,082.00, representing an appraisal added value of RMB2,375,413.92 or an added value rate of 42.52%.

I. APPRAISAL CONCLUSIONS

The process of the appraiser's assessment and calculation of the appraised assets is as follows:

Breakdown of equipment with large amounts

No. of Equipment	Name of Equipment	Carrying Amount		Appraised Value			Newness Rate by Useful Life Approach	Newness Rate by the Survey Method	Integrated Newness Rate
		Original Value	Net Value	Original Value	Newness Rate	Net Value			
03306	Boiler 2#5120	4,526,886.72	181,075.47	4,543,708.00	32%	1,453,987.00	12%	45%	32%
03307	Boiler 1#5121	4,073,161.15	162,926.45	4,088,294.00	32%	1,308,254.00	12%	45%	32%
03586	Boiler 1111	4,649,758.06	185,990.32	5,277,955.00	15%	791,693.00	—15%	35%	15%
03667	Integrated wet electrostatic precipitator for desulfurization and denitrification 7735	1,458,557.06	735,112.56	1,240,225.00	65%	806,146.00	57%	70%	65%
03668	Integrated wet electrostatic precipitator for desulfurization and denitrification 7736	1,458,557.06	735,112.56	1,240,225.00	65%	806,146.00	57%	70%	65%

Fixed assets — machinery and equipment

This type of assets is appraised and calculated using the cost approach. The cost approach refers to appraisal approaches in which the replacement cost of the appraised asset is first estimated and then depreciation factors already present in the appraised asset are estimated and deducted from the replacement cost to arrive at the value of the appraised asset.

Appraised value = replacement cost × integrated newness rate

For standard machineries and equipment, their tax-exclusive price is determined by combining the original book value with the price growth index, and their replacement cost is determined based on the transportation and miscellaneous costs, installation and commissioning fee and cost of necessary auxiliary parts to bring the equipment to the condition ready for use, and construction preliminary costs and other expenses and capital cost calculated based on the current market fee rates in the region where the appraised assets are located.

Replacement cost=tax-exclusive price × (1+transportation and miscellaneous costs rate +installation and commissioning fee rate + basic fee rate) × (1+preliminary and other expenses rate) × (1+capital cost rate)

Machinery and equipment assets include a total of 326 items such as machinery and equipment and electronic equipment. Specifically, there are 321 machinery and equipment and 5 electronic equipment. The total appraised net value amounted to RMB16,457,865.

The replacement cost of machinery and equipment assets ranges from RMB264 to RMB5,277,955.00.

In determining the integrated newness rate, the appraisers take into account the economic life and the used life of the appraisal subjects. The economic life of the appraisal subjects ranges from 8 to 15 years, and the used life ranges from 1.21 to 39.23 years. The integrated newness rate adopted by the appraisers in the appraisal process of fixed assets — machinery and equipment ranges from 15% to 93%.

During the appraisal process, the newness rate by useful life approach adopted by the appraisers is the theoretical newness rate, without taking into account the actual asset condition of the appraisal subjects. This limitation can be resolved by combining the newness rate determined by the survey method, which reflects the actual condition of the assets. Therefore, the weight of the newness rate determined by the survey method is greater in the appraisal process. Some assets have exceeded their economic life, resulting in a theoretically negative newness rate by useful life approach. In the daily production process of enterprises, the maintenance of relevant assets ensures that assets that have exceeded their useful life can still be used normally. Therefore, in this appraisal process, the weighted and integrated newness rate is adopted as the final newness rate of the assets for calculation.

For equipment that has reached its economic life but remains in normal use, the appraisers adopted a 15% integrated newness rate, which aligns with the industry norm developed based on previous Notice on Forwarding the Opinions on the Operating Procedure for Asset Appraisal (for Trial Implementation) (No. 23 [1996] of the Office of the State-owned Assets Administration Bureau)* (國資辦發[1996]23號國家國有資產管理局關於轉發《資產評估操作規範意見(試行)》的通知), which stipulated that the newness rate of assets under normal operation should not be less than 15% and that the appraised value should not fall below 15% of the replacement cost.

II. ANALYSIS OF THE REASONS FOR THE CHANGE IN THE COMPARISON BETWEEN THE APPRAISAL CONCLUSIONS AND THE CARRYING AMOUNT

(I) Lvyuan Business Division

The total net book value of the assets of the Lvyuan Business Division amounted to RMB7,334,734.13, with an appraised value of RMB8,495,783.00, representing an appraisal added value of RMB1,161,048.87 or an added value rate of 15.83%. The increase in the appraised value was mainly due to:

- (1) the increase in the appraised net value of machinery and equipment, which was mainly due to the fact that the depreciation period provided by the enterprise for some machinery and equipment assets is shorter than the economic life of the machinery and equipment, resulting in the increase in the appraised net value.
- (2) the decrease in the appraised net value of electronic equipment, which was mainly due to the fact that the electronic equipment with a relatively large value is operating system assets. Due to factors such as technological updates, progress in production processes, and program optimization by manufacturing enterprises, the price has decreased. Therefore, the replacement cost of electronic equipment has decreased, resulting in the decrease in the appraised net value.

(II) Yongchun Business Division

The total net book value of the assets of the Yongchun Business Division amounted to RMB5,586,668.08, with an appraised value of RMB7,962,082.00, representing an appraisal added value of RMB2,375,413.92 or an added value rate of 42.52%. The increase in the appraised value was mainly due to:

- (1) the increase in the appraised net value of machinery and equipment, which was mainly due to the fact that the depreciation period provided by the enterprise for some machinery and equipment assets is shorter than the economic life of the machinery and equipment, resulting in the increase in the appraised net value.
- (2) the increase in the appraised net value of electronic equipment, which was mainly due to the fact that the greater value of electronic equipment was attributable to the production support equipment such as instruments and meters, which had been acquired for a longer period of time, and the depreciation period provided by the enterprise for these electronic equipment assets was shorter than the economic life of the electronic equipment, resulting in the increase in the appraised net value.

III. DESCRIPTION OF INDIVIDUAL ISSUES

1. Reasons for not selecting the income approach as the valuation method in the valuation process

The appraised unit is a heat production enterprise and its assets and income are integral as a whole. The assets included in the scope of valuation are part of its assets, which mainly comprise assets relating to the production of heat energy and do not comprise supporting and ancillary assets and necessary assets comprising the smallest asset portfolio (such as assets relating to heat supply pipelines, heat exchanges and heat supply concessions) such as related licences, and thus it is not possible to separate the income of some of the assets involved in the valuation for the whole. Therefore, the income approach cannot be selected for the valuation of some of the assets.

2. The underlying reasons for the significant differences between the book value and the appraised value of each asset type during the valuation process

The type of value used in the valuation is the open and fair market value as at the appraisal benchmark date. The assets of the enterprise in question were acquired in a transaction with an old state-owned enterprise, the original book value of which could not be obtained, and the current book value was derived by normal depreciation of the assets after their arrival in the enterprise's accounts. The financial depreciation of the enterprise was not consistent with the appraisal of the depreciation method, and the acquisition costs and fees relating to the assets were subject to relatively large price changes due to a relatively long period of time. As a result, the difference between the appraised value and the book value is relatively large.

For assets under the category of machinery and equipment, the appraised value is calculated based on the original book value as at the appraisal benchmark date, determined by taking into account the price increase index, excluding tax, or by checking the current market value, excluding tax, and selecting the relevant expenses, and combining them with the integrated newness rate.

3. Reasons for the wide range of newness rate used in the valuation process

The equipment appraised in the valuation is not a one-off equipment purchase. As it is an asset of an old state-owned enterprise, it has been gradually developed to its current scale according to the demand for its use and the renewal of its equipment. Therefore, the years of purchase of the equipment are widely distributed, resulting in a wide range of newness rate of equipment. Therefore, the theoretical newness rate is widely distributed.

The logic of wear and tear is different for different types of assets. Machinery and equipment: easily affected by frequency of use and maintenance records; real estate: multi-dimensional factors such as structural aging, renovation and renewal need to be considered; therefore, the surveyed newness rate is widely distributed.

The newness rate of the assets involved in the valuation process was determined by applying the integrated newness rate weighted by both the combined the theoretical newness rate and the newness rate determined by the scoring method. Since the time span is relatively large due to different acquisition dates and years of assets, the integrated newness rate calculated also varies. Therefore, the range of the integrated newness rate varied greatly and widely.

The integrated newness rate for equipment ranges from 15%–93%.

The following is an extract of the asset valuation report dated 30 May 2025 prepared by Jilin Province Gongjian Weihe Real Estate Appraisal Co., Ltd.* in relation to the Proposed Acquisition III.

The asset valuation report was prepared in Chinese and the English version is a translation of the original. In case of discrepancies between the two versions, the Chinese version shall prevail.

Please be aware that the content was extracted from the full text of the asset valuation report.

STATEMENT

I. This asset appraisal report is prepared in accordance with the Basic Guidelines on Asset Appraisal issued by the Ministry of Finance and the Code of Practice and Code of Ethics on Asset Appraisal issued by the China Appraisal Society.

II. The clients or other users of the asset appraisal report shall use the asset appraisal report in accordance with the provisions of laws, administrative regulations and the scope of use set out in this asset appraisal report; the asset appraisal organization and the asset appraisers shall not be held responsible for the failure to use the asset appraisal report in accordance with the foregoing provisions by the clients or other users of the asset appraisal report.

This asset appraisal report is intended to be used solely by the clients, other users of the asset appraisal report as agreed in the asset appraisal engagement contract, and users of the asset appraisal report as stipulated by laws and administrative regulations; other than this, no other institution and individual can become the user of the asset appraisal report.

The asset appraisal organization and the asset appraisers hereby remind the users of the asset appraisal report that it is the responsibility of the users of the asset appraisal report to properly understand and use the appraisal conclusions, and the appraisal conclusions do not represent the price that could be realized for the appraised subject and should not be considered as a guarantee of the price that could be realized for the appraised subject.

III. The asset appraisal organization and the asset appraisers shall abide by laws, administrative regulations and asset appraisal standards, adhere to the principles of independence, objectivity and impartiality, and shall be responsible for the asset appraisal reports issued in accordance with law.

IV. The list of assets and liabilities involved in the appraised subject shall be declared by the clients, the property right holder and confirmed by its signature, seal or other means permitted by law; the clients and other relevant parties shall be responsible for the authenticity, completeness and legality of the information provided by them according to law.

V. The asset appraisal organization and the asset appraisers have no existing or prospective interest in the appraised subject of the asset appraisal report; they have no existing or prospective interest in the relevant parties and are not biased against the relevant parties.

VI. The asset appraisers have conducted on-site investigation of the appraised subject of the asset appraisal report and the assets involved; have paid necessary attention to the legal ownership status of the appraised subject and the assets involved; have checked the legal ownership information of the appraised subject and the assets involved; have made truthful disclosure of the issues identified; and have brought them to the attention of the clients and other relevant parties for perfecting the property rights to satisfy the requirement to issue an asset appraisal report.

VII. The analysis, judgment and results in the asset appraisal report issued by the asset appraisal organization are subject to the assumptions and limitations in the asset appraisal report, and the users of the asset appraisal report should give full consideration to the assumptions, limitations, special matter statements and their impact on the appraisal conclusions contained in the asset appraisal report.

I. CLIENTS, PROPERTY RIGHT HOLDER AND OTHER USERS OF THE ASSET APPRAISAL REPORT

The clients of this appraisal engagement are Jilin Province Heating Group Co., Ltd.* and Jilin Province Chuncheng Heating Company Limited*. The property right holder is Jilin Province Heating Group Co., Ltd.*. The users of the asset appraisal report are the users of the asset appraisal report as agreed in the asset appraisal engagement contract and other users of the asset appraisal report as stipulated by laws and administrative regulations.

(I) The clients and the property right holder***Overview of the client 1:***

1. Unified social credit code: 91220000MA13WXED1L
2. Company name: Jilin Province Heating Group Co., Ltd.*
3. Legal representative: Wang Huilin
4. Type: limited liability company (solely invested by a legal person, not invested or controlled by natural persons)
5. Date of establishment: 26 December 2016
6. Registered capital: RMB
7. Address: Boiler Room, Changchun Vehicle Depot, Furong Community, Tiexi Street, Zhanqian Sub-district, Kuancheng District, Changchun City
8. Scope of operation: general projects: heat production and supply; and lease of non-residential real estate. (Except for projects subject to approval in accordance with the laws, the business activities shall be conducted with the business licenses in accordance with the laws)

Permitted projects: production and supply of tap water. (For projects subject to approval in accordance with the laws, the business activities can only be carried out after approval by the relevant departments, and the specific business projects are subject to the approval documents or licenses of the relevant departments)

Overview of the client 2 and the property right holder:

1. Unified social credit code: 91220101MA14W03575
2. Company name: Jilin Province Chuncheng Heating Company Limited*
3. Legal representative: Song Chi

4. Type: Other limited company by shares (Listed)
5. Date of establishment: 23 October 2017
6. Registered capital: RMB466,700,000
7. Address: No. 28, Block B (Hongcheng Xiyu), Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province
8. Scope of operation: New energy technology development; heating production and supply; heating engineering design and installation services; contractual energy management; sales of cables, electrical equipment, household appliances, flooring, floor tiles, thermostats and heating accessories (those businesses that are prohibited by the laws, regulations and decisions of the State Council shall not be operated; for items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities).

(II) Relationship between the clients and the property right holder

The client 1 and the property right holder are the same company.

II. PURPOSE OF THE APPRAISAL

Purpose of the appraisal: Jilin Province Heating Group Co., Ltd.* (“Jire”) intends to transfer some of its assets, and in order to do so, it is necessary to assess the value of the assets to be transferred to provide a value reference for the client 1 to understand the value of the assets.

III. SUBJECT AND SCOPE OF THE APPRAISAL

The appraised subject is the fixed assets (machinery and equipment, and electronic equipment) declared by the clients, with original book value of RMB948,900 and net book value of RMB212,000. (See table below for details)

No.	Item	Carrying Amount		Appraised Value		Value-added Amount	
		Original Value	Net Value	Original Value	Net Value	Original Value	Net Value
I.	Fixed assets	948,863.73	212,031.89	941,319.12	475,980.76	-7,544.61	263,948.87
1	Machinery and equipment	940,316.73	210,016.55	936,234.12	475,116.31	-4,082.61	265,099.76
2	Electronic equipment	8,547.00	2,015.34	5,085.00	864.45	-3,462.00	-1,150.89

IV. TYPE OF VALUE AND DEFINITION

Based on the purpose of this appraisal, market condition, and the characteristics of the assessed assets, the type of value of the appraised subject is determined to be market value.

Market value is the estimated amount by which a willing buyer and a willing seller, each acting rationally and without any compulsion, would have appraised the appraised subject in an arm’s length transaction as at the appraisal benchmark date.

V. APPRAISAL BENCHMARK DATE

The appraisal benchmark date of this project is 17 March 2025, which is determined by the clients based on economic behaviour, the end of the accounting period, changes in interest rates and exchange rates, and other factors.

VI. BASIS OF THE APPRAISAL

The laws and regulations of the national, local government and relevant departments, standards, ownership basis, and appraisal references that we have followed in the course of this appraisal as well as the documents and information and the basis of reference in this regard, are mainly as follows:

(I) Basis for economic activity

Minutes of the 9th Party Committee Meeting of Changchun Heating Power (Group) Company Limited* (Changre Group) dated 24 April 2025.

(II) Main legal and regulatory basis

1. Asset Appraisal Law of the People's Republic of China (adopted at the Twenty-First Session of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);
2. Law of the People's Republic of China on the State-Owned Assets of Enterprises (adopted at the Fifth Session of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);
3. The Civil Code of the People's Republic of China (adopted at the Third Session of the Thirteenth National People's Congress on 28 May 2020 and effective from 1 January 2021);
4. Interim Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council [2003]);
5. Interim Measures for the Administration of the Appraisal of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission [2005]);
6. Notice on Issues Relating to Strengthening the Management of the Appraisal of State-owned Assets of Enterprises (SASAC Property Rights [2006] No. 274);
7. Circular on Matters Relating to the Review of the Appraisal Reports of State-owned Assets of Enterprises (SASAC Property Rights [2009] No. 941);

8. Guidelines for the Filing of State-Owned Asset Appraisal Projects of Enterprises (SASAC Fa Property Rights [2013] No. 64);
9. Measures for Supervision and Administration of Enterprise State-owned Assets Transactions (SASAC and Ministry of Finance [2016] No. 32);
10. Measures on Financial Supervision and Management of the Asset Appraisal Industry (Order No. 97 of the Ministry of Finance);
11. Rules for the Operation of State-owned Property Rights Transactions of Enterprises (SASAC Fa Property Rights [2009] No. 120);
12. Circular on Matters Relating to the Facilitation of the Transfer of State-owned Property Rights of Enterprises (SASAC Fa Property Rights [2014] No. 95);
13. Opinions Regarding the Regulation of the Reform of State-owned Enterprises (Guo Ban Fa [2003] No. 96);
14. Implementation Opinions Regarding the Further Regulation of the Reform of State-owned Enterprises (Guo Ban Fa [2005] No. 60);
15. Provisions on Certain Issues Concerning the Management of the Appraisal of State-owned Assets (Order No. 14 of the Ministry of Finance);
16. Accounting Standards for Business Enterprises — Basic Standards (Order No. 33 of the Ministry of Finance) and Decision of the Ministry of Finance on Amending the Accounting Standards for Business Enterprises — Basic Standards (Order No. 76 of the Ministry of Finance);
17. General Principles of Corporate Finance (Order No. 41 of the Ministry of Finance [2006]);
18. Other relevant laws and regulations.

(III) Basis for criteria

1. Basic Standards on Asset Appraisal (Caizi [2017] No. 43);
2. Code of Practice on Asset Appraisal — Asset Appraisal Methods (CAS [2019] No. 35);
3. Code of Practice on Asset Appraisal — Asset Appraisal Reports (CAS [2018] No. 35);
4. Code of Practice on Asset Appraisal — Asset Appraisal Procedures (CAS [2018] No. 36);

5. Code of Practice on Asset Appraisal — Asset Appraisal Files (CAS [2018] No. 37);
6. Code of Professional Ethics for Asset Appraisal (CAS [2017] No. 30);
7. Code of Practice on Asset Appraisal — Asset Appraisal Engagement Contracts (CAS [2017] No. 33);
8. Code of Practice on Asset Appraisal — Real Property (CAS [2017] No. 38);
9. Code of Practice on Asset Appraisal — Machinery and Equipment (CAS [2017] No. 39);
10. Guide to the Appraisal Report on State-owned Assets of Enterprises (CAS [2017] No. 42);
11. Guide to Quality Control of Asset Appraisal Agency Operations (CAS [2017] No. 46);
12. Guidance on Types of Asset Appraisal Values (CAS [2017] No. 47);
13. Guidance on the Legal Ownership of Asset Appraisal Subjects (CAS [2017] No. 48);
14. Terms for Asset Valuation Standards 2020 (CAS [2020] No. 31).

(IV) Basis of ownership

Other relevant documents of ownership provided by the property right holder.

(V) Basis for pricing

1. Relevant national industrial policies, industry analysis data, parameter data, etc.;
2. Loan Prime Rate (LPR) published by the National Interbank Funding Center;
3. Construction Project Cost Index of Changchun for the first half of 2024;
4. Other contracts, accounting documents and other information related to the acquisition and use of assets by the enterprise.

(VI) Other bases of reference

1. A detailed statement of asset appraisal declaration provided by the property right holder;
2. On-site investigation questionnaire and other information collected and sorted out by asset appraisal professionals;

3. The latest version of the Handbook of Common Methods and Parameters of Asset Valuation;
4. Real Estate Valuation Code of the People's Republic of China (GB/T50291 -2015);
5. Other information relevant to the valuation.

VII. APPRAISAL METHODS

(I) Introduction of appraisal methods

The market approach in asset value appraisal refers to the appraisal approach that compares the appraised subject with comparable assets or assets with transaction cases in the market to determine the value of the appraised subject.

The income approach in asset value appraisal refers to the appraisal approach that determines the appraised value by capitalizing or discounting the expected earnings of the asset. The income approach measures the value of an asset from the perspective of the profitability thereof based on the economic expected utility theory.

The cost approach in asset value appraisal is as follows. Firstly, the replacement cost is determined by all cost required to re-construct a brand-new appraised asset under the current condition. Then the newness rate is determined by the comparison between the appraised asset and the brand-new one. The appraised value is determined by the replacement cost multiplying the newness rate.

The scope of this appraisal is composed of machinery and equipment, and electronic equipment, which do not have any profitability individually, and factors including future income and cost cannot be predicted or quantified in terms of currency, therefore it is not appropriate to adopt income approach for this appraisal. It is difficult to collect transaction records of assets comparable to the appraised subject in the market, therefore it is not appropriate to adopt market approach for this appraisal. Subject to the analysis, it is determined to adopt cost approach for this appraisal.

(II) Technical idea and model of the cost approach

The cost approach adopted in this project is an appraisal technical idea for determining the value of the appraised subject by using the amount of investment required to reconstruct an independently profitable enterprise with the same on- and off-balance sheet assets and liabilities as those of the appraised subject as at the appraisal benchmark date, as a basis for determining the value of the assets to add up the appraisal value of the assets and liabilities of the various elements that make up the enterprise determined by specific appraisal approaches appropriate to the specific circumstances.

(III) Appraisal process of the cost approach**1. Fixed assets — equipment**

The income approach is unsuitable for this appraisal as the machinery and equipment included in the appraisal do not have independent profit-generating capabilities; it is not appropriate to adopt the market approach either as it is not possible to find comparable references that are identical and similar in the current market; therefore, the replacement cost approach is appropriate for this appraisal.

The replacement cost approach refers to appraisal approaches in which the replacement cost of the appraised asset is first estimated and then depreciation factors already present in the appraised asset are estimated and deducted from the replacement cost to arrive at the value of the appraised asset.

Appraised value = replacement cost × integrated newness rate

(1) Determination of replacement cost

For standard machineries and equipment, their tax-exclusive price is determined by combining the original book value with the price growth index, and their replacement cost is determined based on the transportation and miscellaneous costs, installation and commissioning fee and cost of necessary auxiliary parts to bring the equipment to the condition ready for use, and construction preliminary costs and other expenses and capital cost calculated based on the current market fee rates in the region where the appraised assets are located.

(2) Determination of newness rate

Determination of the newness rate of major machineries and equipment:

Economic life of machinery and equipment: determined with reference to the Handbook of Common Methods and Parameters for Asset Appraisal;

Used life: determined based on the period from the installation and usage date to the appraisal benchmark date, with reference to the equipment's operational rate;

Newness rate by useful life approach = (economic life — used life)/economic life × 100%

Newness rate by inspection approach = \sum score from technical observation and analysis × weight of each component's score × 100%

Integrated newness rate = newness rate by useful life approach × 40% + newness rate by inspection approach × 60%

(3) *Determination of appraised value*

Appraised value = replacement cost × integrated newness rate.

VIII. PROCESS AND IMPLEMENTATION OF THE APPRAISAL PROCEDURES

- (I) Jilin Province Heating Group Co., Ltd.*, intending to dispose of its assets, decided to engage us to assess the asset value of the property right holder after contact with us. Upon accepting the engagement, we determined the appraisal purpose and the value type of the appraised subject based on the characteristics of the corresponding economic activity for this engagement, and gained a preliminary understanding of the appraised subject and the scope of appraisal. The appraisal benchmark date was agreed upon in consultation with the client, followed by the drafting of the appraisal plan and signing of the appraisal engagement contract.
- (II) In accordance with the Code of Practice on Asset Appraisal — Asset Appraisal Procedures, we provided the property right holder with the necessary asset appraisal forms and guided the property right holder through the asset inspection and form completion process. After completing the said preparatory tasks, our professional asset appraisal team conducted an on-site evaluation. This involved inquiries, confirmations, reconciliations, monitoring, inspections and other methods to gather the necessary information. We obtained an understanding of the economic and technical utilization conditions as well as the legal ownership status of the assets, analyzed the specific situation of the appraised subject, collected financial data of the company for recent time and as of the appraisal benchmark date, verified whether the appraisal data provided by the company aligned with its accounting records to assure the authenticity and completeness of the documentation requested, and paid special attention to the legal ownership status of the assets.
- (III) In accordance with relevant laws, standards and pricing principles regarding to appraisal, we applied suitable appraisal methods based on the specific characteristics of the assets. Market price information was collected to serve as a reference in determining the appraisal value, and the verified book values were used to estimate the appraisal value.
- (IV) We summarized the appraisal results, analyzed the appraisal conclusions, compiled the appraisal report, conducted an internal three-level review, and submitted the appraisal report.

IX. APPRAISAL ASSUMPTIONS

The appraisal conclusions of the appraised subject are based on the following assumptions and limitations. If these assumptions or conditions are not reasonably met, the appraisal conclusions in this report may vary to different degrees.

(I) General assumptions

1. Transaction assumption: It is assumed that all assets to be appraised are already in the course of transaction. The asset appraiser is valuing the assets to be appraised based on a simulated market, such as the transaction conditions of the assets to be appraised.
2. Open market assumption: It is assumed that with respect to the assets traded or to be traded in the market, the transacting parties are in equal position and both have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets.
3. Assumption of continued use of assets: It is assumed that the appraised assets will continue to be used legally and effectively in accordance with the planned use and conditions of use, such as the manner, scale, frequency and environment, and will not undergo material changes during the foreseeable period of use.

(II) Special assumptions

1. Assuming that there are no significant changes in the relevant existing laws, regulations and policies, the national macro-economical situation in China and the political, economic and social environment of the regions in which the parties to this transaction are located.
2. Assuming that there are no material changes in interest rates, exchange rates, tax bases and tax rates, policy levies, etc. relating to the property right holder after the appraisal benchmark date.
3. Assuming that the processes of acquiring, obtaining and constructing the assets involved in the appraised subject are all in compliance with the provisions of relevant laws and regulations in China.
4. Assuming that the property rights of the equipment included in the scope of the appraisal, belong to Jilin Province Heating Group Co., Ltd.*.

X. APPRAISAL CONCLUSIONS

After implementing the different appraisal approaches and procedures described above, the following appraisal conclusions are reached on the market value of certain assets of Jilin Province Heating Group Co., Ltd.* declared by it as at 17 March 2025 in relation to the purpose of the proposed transfer of assets by the clients:

After appraised under cost approach, the total book assets declared by Jilin Province Heating Group Co., Ltd.* before asset appraisal amounted to RMB212,000, with an appraised value of RMB476,000, representing an appraisal added value of RMB264,000 or an added value rate of 124.49%.

The appraised value of the assets of Jilin Province Heating Group Co., Ltd.* amounted to RMB476,000.

The validity period for the use of the appraisal conclusions is one year from the appraisal benchmark date, and the asset appraisal report shall not be used beyond the validity period of this report.

The appraisal conclusions have been arrived at in accordance with the purpose, assumptions and limitations, basis, approaches and procedures set out in this asset appraisal report and the appraisal conclusions are only valid if the said purpose, basis, assumptions and premises exist and the appraisal conclusions serve the purpose of this appraisal only.

XI. STATEMENT OF SPECIAL MATTERS

(I) Ownership defect

For large equipment such as boilers included in the scope of appraisal, according to the property rights description provided by the clients, the purchase contract cannot be found due to various reasons such as the transfer of internal management personnel of the property right holder, so the property rights are confirmed only through the Special Equipment Use Registration Certificate of the People's Republic of China provided by the property right holder.

(II) Explanation of incomplete appraisal information

For the information on construction drawings and project budget (settlement) within the scope of this assessment that the property right holder were unable to provide, the appraisers conducted the evaluation and calculations by referencing relevant information of similar projects.

(III) Due to the lack of access to sufficiently abundant relevant market transaction statistic information and the lack of a basis for analysis and judgment on the extent of the impact of liquidity on the value of the appraisal subjects, the appraisal results of the cost approach used in this exercise do not take into account the liquidity discount factor.

(IV) The asset appraisal institution and the asset appraisal professionals shall not be liable for any other defective matters that may exist on the part of the clients and the property right holder that may affect the appraisal conclusions, if the clients and the property right holder have not specifically stated thereto and the asset appraisal professionals have performed the appraisal procedures and still cannot be informed of them.

- (V) The appraisal conclusions have not considered the impact on the appraisal conclusions of possible future mortgage and guarantee matters to be undertaken, as well as possible additional or reduced prices to be paid by special counterparties, etc. The appraisal conclusions have also not considered the impact of changes in national macroeconomic policies and the impact of natural forces and other force majeure on the value of the appraisal subject; if the aforesaid conditions and other assumptions and premises such as the going concern principle followed in the appraisal change, the appraisal conclusions would generally be invalidated and the user of the report cannot use this appraisal report, otherwise the user of the report shall bear all consequences.
- (VI) The appraisal conclusions have not taken into account the tax liabilities arising from the appraisal increase or decrease in value of the appraisal subject, and the final tax liabilities to be undertaken shall be based on the amount of tax liabilities approved by the local tax authorities.
- (VII) If there is a material change in the number of assets between the appraisal report date and the validity of the appraisal report, the amount of assets should be adjusted accordingly; if there is a change in the asset price criteria which has a significant impact on the appraisal conclusions, a reappraisal should be carried out.
- (VIII) The assets value is tax-exclusive in this appraisal.

The treatment of the aforesaid special matters and the possible impact of the special matters on the appraisal conclusions are brought to the attention of the users of the asset appraisal report for their impact on economic behaviour.

XII. NOTE ON LIMITATIONS ON THE USE OF THE APPRAISAL REPORT

- (I) The asset appraisal report may only be used for the appraisal purposes and usage expressly indicated.
- (II) The asset appraisal report may only be used by the report users as specified in the report, unless otherwise required by national laws and regulations. The asset appraisal organization and its asset appraisers shall not be liable if the client or other users of the asset appraisal report fail to use the asset appraisal report in accordance with the provisions of laws and administrative regulations and the scope of use set out in the asset appraisal report. Except for the client, other users of the asset appraisal report as agreed in the asset appraisal engagement contract and the users of the asset appraisal report as required by laws and administrative regulations, no other institution and individual can be the user of the asset appraisal report.
- (III) Users of the asset appraisal report should properly understand and use the appraisal conclusions, which do not represent the price that could be realized for the appraised subject and should not be considered as a guarantee of the price that could be realized for the appraised subject.

- (IV) If the asset appraisal report is required to be submitted to the relevant authorities for filing in accordance with the current national regulations, it will not be officially used until the reply is received. This appraisal report may not be used without obtaining the filing documents from the relevant authorities of the state-owned assets.
- (V) The contents of the asset appraisal report shall not be extracted, cited or disclosed in the public media without the consent of the asset appraisal organization, except as required by laws and regulations and as otherwise agreed by the relevant parties.
- (VI) The right of interpretation of the asset appraisal report shall be vested on the asset appraisal organization for this project solely, except as otherwise required by national laws and regulations.

XIII.APPRAISAL REPORT DATE

The date of the asset appraisal report is 30 May 2025.

The supplementary notes provides further explanation on the appraisal of the assets but do not form part of the valuation report.

Supplementary Notes

The total net book assets before appraisal of the Target Assets III as at the appraisal benchmark date amounted to RMB212,000, with an appraised value of RMB476,000.

I. APPRAISAL CONCLUSIONS

The process of the appraiser's assessment and calculation of the appraised assets is as follows:

Fixed assets -machinery and equipment

This type of assets is appraised and calculated using the cost approach. The cost approach refers to appraisal approaches in which the replacement cost of the appraised asset is first estimated and then depreciation factors already present in the appraised asset are estimated and deducted from the replacement cost to arrive at the value of the appraised asset.

Appraised value = replacement cost × integrated newness rate

For standard machineries and equipment, their tax-exclusive price is determined by combining the original book value with the price growth index, and their replacement cost is determined based on the transportation and miscellaneous costs, installation and commissioning fee and cost of necessary auxiliary parts to bring the equipment to the condition ready for use, and construction preliminary costs and other expenses and capital cost calculated based on the current market fee rates in the region where the appraised assets are located.

Replacement cost=tax-exclusive price × (1+transportation and miscellaneous costs rate +installation and commissioning fee rate + basic fee rate) × (1+preliminary and other expenses rate) × (1+capital cost rate)

Machinery and equipment assets include a total of 51 items such as machinery and equipment, and electronic equipment. Specifically, there are 48 machinery and equipment, and 3 electronic equipment. The total appraised value amounted to RMB475,980.76.

The replacement cost of machinery and equipment assets ranges from RMB392.99 to RMB300,015.44.

In determining the integrated newness rate, the appraisers take into account the economic life and the used life of the appraisal subjects. The economic life of the appraisal subjects ranges from 10 to 15 years, and the used life ranges from 7.3 to 8.3 years. The integrated newness rate adopted by the appraisers in the appraisal process of fixed assets — machinery and equipment ranges from 17% to 54%.

During the appraisal process, the newness rate by useful life approach adopted by the appraisers is the theoretical newness rate, without taking into account the actual asset condition of the appraisal subjects. This limitation can be resolved by combining the newness rate determined by the survey method, which reflects the actual condition of the assets. Therefore, the weight of the newness rate determined by the survey method is greater in the appraisal process. Some assets have exceeded their economic life, resulting in a theoretically negative newness rate by useful life approach. In the daily production process of enterprises, the maintenance of relevant assets ensures that assets that have exceeded their useful life can still be used normally. Therefore, in this appraisal process, the weighted and integrated newness rate is adopted as the final newness rate of the assets for calculation.

For equipment that has reached its economic life but remains in normal use, the appraisers adopted a 15% integrated newness rate, which aligns with the industry norm developed based on previous Notice on Forwarding the Opinions on the Operating Procedure for Asset Appraisal (for Trial Implementation) (No. 23 [1996] of the Office of the State-owned Assets Administration Bureau)* (國資辦發[1996]23號國家國有資產管理局關於轉發《資產評估操作規範意見(試行)》的通知), which stipulated that the newness rate of assets under normal operation should not be less than 15% and that the appraised value should not fall below 15% of the replacement cost.

Breakdown of the machinery and equipment with the highest appraised value

No.	Name of Equipment	Carrying Amount		Appraised Value		Newness Rate by Useful Life Approach	Newness Rate by the Survey Method	Integrated Newness Rate	Integrated Newness Rate
		Original Value	Net Value	Original Value	Net Value				
1	Boiler #1 — Main Unit	267,658.61	64,460.02	300,015.44	162,008.34	45%	60%	54%	54%

II. ANALYSIS OF THE REASONS FOR THE CHANGE IN THE COMPARISON BETWEEN THE APPRAISAL CONCLUSIONS AND THE CARRYING AMOUNT

The total book assets before appraisal amounted to RMB212,000, with an appraised value of RMB476,000, representing an appraisal added value of RMB264,000 or an added value rate of 124.53%. The increase in the appraised value was mainly due to:

- (1) the increase in the appraised net value of machinery and equipment, which was mainly due to the fact that the depreciation period provided by the enterprise for some machinery and equipment assets is shorter than the economic life of the machinery and equipment, resulting in the increase in the appraised net value.
- (2) the decrease in the appraised net value of electronic equipment, which was mainly due to the fact that electronic equipment assets are production support equipment such as instruments and meters, which had been acquired for a longer period of time and had a relatively low value. Recently, the price of such electronic equipment has dropped, resulting in the decrease in the appraised net value.

III. DESCRIPTION OF INDIVIDUAL ISSUES

1. Reasons for not selecting the income approach as the valuation method in the valuation process

The appraised unit is a heat production enterprise and its assets and income are integral as a whole. The assets included in the scope of valuation are part of its assets, which mainly comprise assets relating to the production of heat energy and do not comprise supporting and ancillary assets and necessary assets comprising the smallest asset portfolio (such as assets relating to heat supply pipelines, heat exchanges and heat supply concessions) such as related licences, and thus it is not possible to separate the income of some of the assets involved in the valuation for the whole. Therefore, the income approach cannot be selected for the valuation of some of the assets.

2. The underlying reasons for the significant differences between the book value and the appraised value of each asset type during the valuation process

The type of value used in the valuation is the open and fair market value as at the appraisal benchmark date. The assets of the enterprise in question were acquired in a transaction with an old state-owned enterprise, the original book value of which could not be obtained, and the current book value was derived by normal depreciation of the assets after their arrival in the enterprise's accounts. The financial depreciation of the enterprise was not consistent with the appraisal of the depreciation method, and the acquisition costs and fees relating to the assets were subject to relatively large price changes due to a relatively long period of time. As a result, the difference between the appraised value and the book value is relatively large.

For assets under the category of machinery and equipment, the appraised value is calculated based on the original book value as at the appraisal benchmark date, determined by taking into account the price increase index, excluding tax, or by checking the current market value, excluding tax, and selecting the relevant expenses, and combining them with the integrated newness rate.

3. Reasons for the wide range of newness rate used in the valuation process

The equipment appraised in the valuation is not a one-off equipment purchase. As it is an asset of an old state-owned enterprise, it has been gradually developed to its current scale according to the demand for its use and the renewal of its equipment. Therefore, the years of purchase of the equipment are widely distributed, resulting in a wide range of newness rate of equipment. Therefore, the theoretical newness rate is widely distributed.

The logic of wear and tear is different for different types of assets. Machinery and equipment: easily affected by frequency of use and maintenance records; real estate: multi-dimensional factors such as structural aging, renovation and renewal need to be considered; therefore, the surveyed newness rate is widely distributed.

The newness rate of the assets involved in the valuation process was determined by applying the integrated newness rate weighted by both the combined the theoretical newness rate and the newness rate determined by the scoring method. Since the time span is relatively large due to different acquisition dates and years of assets, the integrated newness rate calculated also varies. Therefore, the range of the integrated newness rate varied greatly and widely.

The integrated newness rate for equipment ranges from 17%-54%.

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 and chief executive

As at the Latest Practicable Date, none of the Directors 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 C3 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, to the knowledge of the Directors, the persons (other than a Director or chief executive of the Company) who have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO were as follows:

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

Notes:

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

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

As at the Latest Practicable Date, none of the Directors 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. QUALIFICATIONS AND CONSENTS OF EXPERTS

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

Name	Qualification
Giraffe Capital Limited	A licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity
Jilin Province Gongjian Weiye Real Estate Appraisal Co., Ltd.* (吉林省共建偉業房地產估價有限責任公司)	Qualified independent valuer in the PRC holding an asset appraisal qualification certificate issued by the Department of Finance of Jilin Province (吉林省財政廳)

Each of the above experts 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.

* For identification purposes only

As at the Latest Practicable Date, each of the above experts 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, each of the above experts did not have any interest, direct or indirect, in any assets which have been, since 31 December 2024, being the date to which the latest published audited combined financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

As at the Latest Practicable Date, each of the above experts was not materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

5. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. 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. Song Chi	Changre Group	Heat supply	Party secretary and chairman

Save as disclosed above, as at the Latest Practicable Date, none of the Directors 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.

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 or chief executive had any interest, direct or indirect, in any assets which have been, since 31 December 2024, being the date to which the latest published audited combined financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

None of the Directors 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. MATERIAL CONTRACTS

The following contracts (not being contract in the ordinary course of business) has been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date which is or may be material:

- (a) an assets transfer agreement dated 19 March 2024 and entered into between Yatai Heating and Changre Group pursuant to which Yatai Heating acquired from Changre Group certain buildings, coal-fired boilers, land use rights and ancillary equipment used by Changre Group for heat production purposes at a consideration of RMB38,950,960.00;
- (b) the 2024 Assets Transfer Agreement dated 1 November 2024 and entered into between the Company and Changre Group pursuant to which the Company acquired from Changre Group certain structures, coal-fired boilers and ancillary equipment used by Changre Group for heat production purposes at a consideration of RMB82,886,461.00;
- (c) a loan agreement dated 1 November 2024 and entered into between the Company, as lender, and Changre Group, as borrower, pursuant to which the Company has agreed to advance a loan in an amount of not more than RMB300 million to Changre Group;
- (d) a loan agreement dated 11 December 2024 and entered into between the Company, as lender, and Changchun Urban Pipeline Construction Investment (Group) Co., Ltd.* (長春城市管線建設投資(集團)有限公司) (the “**Borrower**”), as borrower, pursuant to which the Company has agreed to advance a loan in an amount of RMB138 million to the Borrower;
- (e) the Original Assets Transfer Agreement I;
- (f) the Original Assets Transfer Agreement II;
- (g) the Assets Transfer Agreement III;
- (h) the First Supplemental Assets Transfer Agreement I;

- (i) the Second Supplemental Assets Transfer Agreement I; and
- (j) the Supplemental Assets Transfer Agreement II.

9. 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.
- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS ON DISPLAY

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

- (a) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 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 65 of this circular;
- (c) the Valuation Report for the Target Assets I issued by the Valuer;
- (d) the Valuation Report for the Target Assets II issued by the Valuer;
- (e) the Valuation Report for the Target Assets III issued by the Valuer;
- (f) the consent letters referred to in the section headed "4. Qualifications and Consents of Experts" in this appendix;
- (g) the Original Assets Transfer Agreement I;
- (h) the Original Assets Transfer Agreement II;

- (i) the Assets Transfer Agreement III;
- (j) the First Supplemental Assets Transfer Agreement I;
- (k) the Second Supplemental Assets Transfer Agreement I; and
- (l) the Supplemental Assets Transfer Agreement II.

NOTICE OF THE FIRST EGM OF 2025



Jilin Province Chuncheng Heating Company Limited*

吉林省春城热力股份有限公司

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

(Stock code: 1853)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2025

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting of 2025 (the “**EGM**”) of Jilin Province Chuncheng Heating Company Limited* (the “**Company**”) will be held at Conference Room 711, Chuncheng Heating, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC, at 9 a.m. on Wednesday, 10 September 2025, for the purposes of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the Assets Transfer Agreement I entered into between the Company and Changre Group and the transaction contemplated thereunder.
2. To consider and approve the Assets Transfer Agreement II entered into between Yatai Heating and Changre Group and the transaction contemplated thereunder.
3. To consider and approve the Assets Transfer Agreement III entered into between the Company and Jilin Heating and the transaction contemplated thereunder.

By order of the Board

Jilin Province Chuncheng Heating Company Limited*

Song Chi

Chairman

Jilin, the PRC, 25 August 2025

* *For identification purposes only*

NOTICE OF THE FIRST EGM OF 2025

Notes:

1. The register of members of the Company will be closed from Thursday, 4 September 2025 to Wednesday, 10 September 2025 (both days inclusive), during which period no transfer of Shares of the Company can be registered. The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Wednesday, 10 September 2025. Shareholders who wish to attend and vote at the EGM must lodge all transfer documents accompanied by the relevant share certificates to (in case of H Shareholders) the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or (in case of Domestic Shareholders) the head office of the Company in the PRC, No. 28, Block B, Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC no later than 4:30 p.m. on Thursday, 4 September 2025.
2. Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on their behalf. A proxy needs not to be a Shareholder.
3. In order to be valid, the proxy form of Shareholders for the EGM must be deposited by hand or by post to (in case of H Shareholders) the H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or (in case of Domestic Shareholders) the head office of the Company in the PRC, No. 28, Block B, Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC not less than 24 hours before the time for holding the EGM or any adjournment thereof for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meetings thereof should they so wish.
4. Shareholders or their proxies shall provide their identification documents when attending the EGM. In case of a corporate Shareholder, its proxy or other person 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 EGM is expected to take less than half a day. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
7. The address of the head office of the Company in the PRC is No. 28, Block B, Nanhu Road Community, No. 998 Nanhu Road, Nangan District, Changchun City, Jilin Province, the PRC.
8. Unless otherwise defined, capitalized terms used in this notice shall have the same meaning as those defined in the Company’s circular dated 25 August 2025.

As at the date of this notice, the non-executive Directors of the Company are Mr. Song Chi (Chairman), Mr. Yang Zhongshi and Mr. Shi Mingjun; the executive Directors are Mr. Zhang Liming and Mr. Xu Chungang; the independent non-executive Directors are Ms. Zhang Yan, Ms. Du Jie and Mr. Chan Sing Fai; and the employee Director is Mr. Qiu Jianhua.