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)

UPDATE ON THE MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF ASSETS

Reference is made to the circular (the "**Circular**") of Jilin Province Chuncheng Heating Company Limited* (the "**Company**") dated 25 August 2025 in relation to, among others, the acquisition of certain heat production assets by the Group from the Controlling Shareholder Group. Unless otherwise defined in this announcement, capitalized terms used herein shall have the same meanings as those defined in the Circular.

THE COMPENSATION ARRANGEMENT

According 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 terms and conditions therein. As disclosed in the Circular, 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 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.

As informed by Changre Group, after consultation with the Erdao Branch of the Changchun Municipal Planning and Natural Resources Bureau (長春市規劃和自然資源局二道分局), the changing of the property ownership registration of the Target Land from Changre Group to the Company (the "**Ownership Registration**") could only be effected after the buildings situated on the Target Land have obtained the relevant real estate certificates. As at the date hereof, certain buildings situated on the Target Land do not possess the relevant real estate certificates.

In light of the above, Changre Group fails to deliver to the Group the Target Land with proper property ownership which constitutes a breach of the Assets Transfer Agreement I by Changre Group. Pursuant to the terms of the Assets Transfer Agreement I, in the event of a breach of the Assets Transfer Agreement I, the non-defaulting party has the right to require the defaulting party to continue to perform its contractual obligations thereunder, take remedial actions and/or indemnify the non-defaulting party for any losses so incurred.

Accordingly, on 21 October 2025, the Company and Changre Group entered into a compensation agreement (the "**Compensation Agreement**") to set forth the compensation arrangement in respect of Changre Group's breach of the Assets Transfer Agreement I (the "**Compensation Arrangement**") which includes but limited to:

(a) the parties shall continue to proceed with the acquisition of the Target Assets I (other than the Target Land) by the Company from Changre Group while the acquisition of the Target Land by the Company from Changre Group shall be terminated. For the avoidance of doubt, the Company shall only be liable to pay the consideration in the amount of RMB48,850,355.65 to the Changre Group for its acquisition of the Target Assets I (other than the Target Land) and shall not be liable for the payment of the consideration of RMB65,079,666 in relation to the Target Land;

(b) Changre Group shall grant a right of use of the Target Land to the Company for a period of three years commencing from the date when Changre Group grants the right of use of the Target Land to the Company after the Compensation Agreement becomes effective (the "**Relevant Period**");

(c) during the Relevant Period, upon the Target Land meeting all the conditions to effect the Ownership Registration, Changre Group shall inform the Company of such fact within 5 business days and the parties shall then consider whether to proceed with the transfer of the Target Land by Changre Group to the Company. If the parties then decide not to proceed with the transfer, Changre Group shall not transfer, lease or mortgage the Target Land to any third party nor shall it impose any encumbrances that may affect the Company's usage of the Target Land prior to the expiry of the Relevant Period; and

(d) in the event where Changre Group reclaims the right of use of the Target Land from the Company or the Company is prohibited to use the Target Land by the relevant authorities during the Relevant Period, Changre Group shall compensate the Company for the actual losses suffered by the Company therefrom.

THE BOARD'S VIEWS ON THE COMPENSATION ARRANGEMENT

The machineries and equipment, etc. forming part of the Target Assets I are used for heat production purposes. Hence, the Group intends to continue to proceed with the acquisition of the Target Assets I (other than the Target Land) such that the Group could utilize such machineries and equipment to generate heat during the 2025–2026 heat supply period.

Although the acquisition of the Target Land shall be terminated due to Changre Group's failure to deliver to the Group the Target Land with proper property ownership, as part of the Compensation Arrangement, Changre Group shall grant the Group a right of use of the Target Land during the Relevant Period. Furthermore, the Company suffers no monetary loss arising from Changre Group's breach of the Assets Transfer Agreement I as the Company has yet to pay the Consideration I to Changre Group and the Company is only obligated to pay the consideration in the amount of RMB48,850,355.65 for its acquisition of the Target Assets I (other than the Target Land) which was determined with reference to the total appraised value of the Target Assets I (other than the Target Land) of RMB48,850,355.65 as at the Valuation Date.

In light of the above, the Directors (including the independent non-executive Directors but excluding Mr. Song Chi who is required under the Listing Rules and the Articles of Association to abstain from voting at the relevant Board meeting) consider that the Compensation Arrangement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Jilin, the PRC, 21 October 2025

As at the date of this announcement, the non-executive Directors 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.

* *For identification purpose only*