



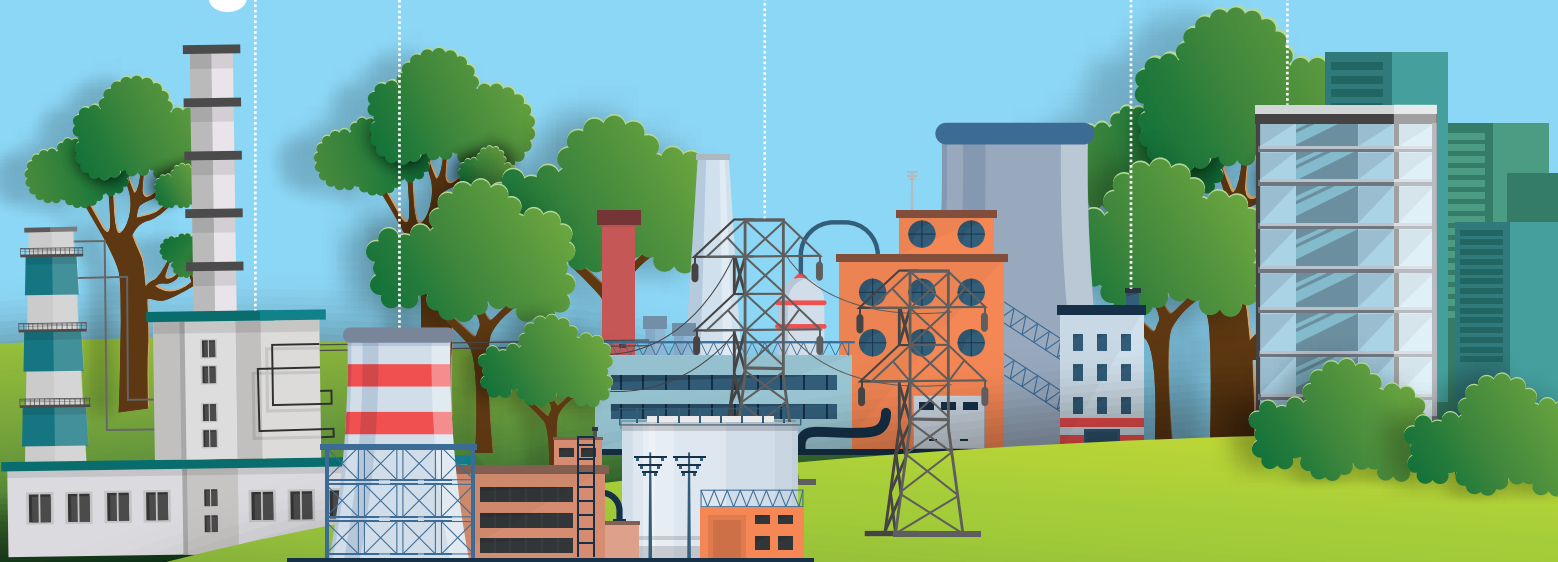
# Jilin Province Chuncheng Heating Company Limited\*

## 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

## ANNUAL REPORT 2022



\* For identification purpose only

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# CHAIRMAN'S STATEMENT

## Dear Shareholders,

The year of 2022 was a year full of extraordinary circumstances. Facing challenges such as unfavorable situation of continuous rise in prices of raw materials in the energy sector and the completion of tasks of reform and development as a state-owned enterprise, Chuncheng Heating tided over various difficulties and forged ahead, ultimately successfully striking a balance between the prevention and control of the pandemic and the overall development of the enterprise. Overcoming the pressure from surging heating costs and stricter standards over ecological and environmental protection, Chuncheng Heating adhered to its strategic positioning as a green, low-carbon enterprise that supports development with the use of cleaner energy. Thanks to the aforesaid efforts, Chuncheng Heating has tackled with various unfavorable factors and secured a sustainable and stable environment in favor of business development.

Over the last year, Chuncheng Heating regarded the enhancement of its overall competitiveness as its core goal, and consolidated its presence in the market of heat supply in Chuncheng City. Through safeguarding people's livelihood with its heat supply, Chuncheng Heating enhanced its efficiency in heating and energy efficiency which in turn promoted the sustainable development of its heat supply business. In 2022, the Group realized a total operating income of approximately RMB1,654.71 million and achieved a profit of RMB165.64 million in aggregate, with total assets amounting to RMB3,038.97 million. As at 31 December 2022, the Group's heat service area was approximately 65.21 million square meters, representing a year-on-year increase of 5.53%. There were no major liability incidents in safety production and environmental protection indicators met national standards during the year, which implied that Chuncheng Heating has successfully enhanced its market competitiveness while safeguarding the people's livelihood with provision of high-quality services.

In 2023, against the backdrops of a more challenging market condition with more complicated and everchanging policy environment, the Group will conduct in-depth studies on the development trend of the industry to cope with the adverse impact brought by unfavourable factors in a more effective manner. Apart from formulating business development policies in a more systematic manner, Chuncheng Heating would keep enhancing its capability in technological innovation with the aim to steadily expand the market share of its heat supply business. We will further optimize our internal control system and further improve our system for risk management to gradually develop into a listed company that can attain outstanding performance with sound systems and compliant operations in place. Furthermore, we will deepen our reform in intelligent heat supply, while optimizing our production and operational efficiency. By virtue of innovation and cooperation, we strive to expand the influence of our brand as a corporate, such that we can tide over any challenge and further develop.

Heat supply is where people's livelihoods lie upon, and green and low-carbon development would benefit our future generation. Therefore, we should develop our heat supply business in a way that can both serve to resolve existing issues and eye on the future. The Group is confident that it can expand its existing heating business, where the Group's value depends, to a new level.

**SUN Huiyong**  
*Chairman*



## CORPORATE PROFILE

Jilin Province Chun Cheng Heating Company Limited\* (吉林省春城熱力股份有限公司) was established on 23 October 2017 with a current registered capital of RMB466.7 million, the H Shares of which were listed on the Main Board of the Hong Kong Stock Exchange on 24 October 2019 (stock code: 01853.HK). It is the first domestic heating enterprise listed on the Hong Kong Stock Exchange.

With heat supply as its core business, the Group has established long-term and stable cooperative relationships with a number of thermal power plants. Heat supply services are provided to around 530,000 residential and non-residential users in Changchun with cogeneration as the main heat supply mode. As at the end of the Reporting Period, the heat service area of the Group was approximately 65.21 million sq.m..

In recent years, 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, 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). In the process of heat supply and production, the Group deeply applies the "Internet + heat supply" production mode to improve its service level, and actively explores the development and application of new technologies and new materials in the industry through independent research and development and cooperation with social groups including universities, so as to remain its leading position in the smart heating area.

As at the end of the Reporting Period, the Group had 11 controlled subsidiaries that engage not only in the heat supply business, but also the provision of businesses such as heating facilities and pipelines construction, maintenance services and heating engineering design services, each of which has comprehensive and independent business system and operating capability.

The Group has been cultivating and devoting to the heat supply market in Northern China for many years. Guided by mission of "performing responsibility of state-owned enterprise and leading industrial development", it has built a widely recognized brand image by all sectors of society via providing outstanding heat supply services and consumption experiences to a large number of heating users. 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.



# FINANCIAL SUMMARY

## COMBINED INCOME STATEMENT

	For the year ended 31 December				
	2022 (RMB'000)	2021 (RMB'000)	2020 (RMB'000) (restated)	2019 (RMB'000) (restated)	2018 (RMB'000) (restated)
Revenue	<b>1,654,705</b>	1,649,598	1,896,988	1,561,377	1,440,159
Gross profit	<b>230,648</b>	325,317	307,481	289,625	231,253
Profit before tax	<b>165,645</b>	167,084	207,643	183,016	120,137
Income tax expense	<b>(50,977)</b>	(44,326)	(37,136)	(47,964)	(32,187)
Profit for the year	<b>114,668</b>	122,758	170,506	135,052	87,949

## COMBINED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2022 (RMB'000)	2021 (RMB'000) (restated)	2020 (RMB'000) (restated)	2019 (RMB'000) (restated)	2018 (RMB'000) (restated)
Total non-current assets	<b>1,145,486</b>	1,218,151	1,267,666	1,364,296	1,037,782
Total current assets	<b>1,893,489</b>	1,584,025	1,867,175	1,786,552	1,190,145
Total current liabilities	<b>2,007,489</b>	1,821,468	2,222,398	1,999,575	1,699,344
Total assets less current liabilities	<b>1,031,486</b>	980,708	912,443	1,151,274	528,583
Total non-current liabilities	<b>119,584</b>	132,690	147,617	147,901	37,101
Net assets	<b>911,901</b>	848,018	764,826	1,003,372	491,482

Notes: Figures in the summary of the consolidated results and financial position of the Company as at 31 December 2018, 2019, 2020 and 2021 are restated.

For details, please refer to the Company's announcements dated 14 April 2022 and 30 November 2022. In addition, the Company apportioned the goodwill corresponding to assets such as part of the land use rights, properties, coal-fired boilers and auxiliary equipment (together with related debts and liabilities and personnel) transferred by Yatai Heating to Churcheng Investment in 2020 at nil compensation. In this regard, the goodwill should be subject to retrospective adjustment according to Article 32 under ASBE 33 - Combined Statements, which states, "When preparing the combined statement of financial position, the opening figures in the combined statement of financial position should be adjusted for the addition of subsidiaries as well as operations of the parent company as a result of a business combination under common control during the reporting period. At the same time, adjustments should be made to the relevant items in the comparative statements, as if the consolidated reporting entity has always existed since the time when the ultimate controller began to control". In particular, the aforesaid adjustments are included in the figures for total non-current assets, total assets less current liabilities and net assets as at 31 December 2019.



# MANAGEMENT DISCUSSION AND ANALYSIS

## I. INDUSTRY OVERVIEW

Affected by cold weather, heating has become a necessary expenditure for residents in northern China in winter. With the economic and social development of the PRC and the continuous improvement of people's living standards, the heat supply industry has become one of the most important sectors for people's livelihood. In recent years, under the combined effect of factors such as increased investment in infrastructure, accelerated urbanization and sustained growth in demand for heat supply, the room for the development of the centralized heating market has expanded, which contributed to a stable growth in overall heating area and heating capacity. According to statistics from the National Bureau of Statistics, by the end of 2021, the national urban heating area reached 10.603 billion square metres, representing an increase of 7.30% year-on-year, and the pipes length of centralized heating grew from 276,300 kilometres in 2017 to 461,500 kilometres in 2021.

Since the joint issuance of the "Clean Winter Heating Plan in Northern China (2017–2021)" by 10 ministries and commissions including the National Development and Reform Commission, the National Energy Administration, the Ministry of Finance and the Ministry of Environmental Protection in 2017 (《北方地區冬季清潔取暖規劃(2017–2021年)》), which set out the development of heating from clean energy sources. In 2020, China put forward the important strategic goal of achieving "carbon emission peak and carbon neutrality" at the United Nations Conference, and recognized the significance of energy saving and emission reduction measures. In 2022, the Ministry of Housing and Urban-Rural Development released 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. What it means to society is that the release of a series of policies implies the future development of the heating industry will focus on promoting models of providing heating from clean energy sources, improving the efficiency of heating energy use, and accelerating the construction and renovation of heating pipelines.

Currently, due to the relative lack of natural gas resources and substantial supply of coal in northeast China, the energy structure will not see major changes in the near future. The application of technologies for heating from clean energy sources such as nuclear energy, hydrogen energy and biomass fuel are still in early stages of development. In recent years, given the price of coal has continued to rise and enterprises' capital investment in transformation into environmentally-friendly enterprises has increased, while heating prices are regulated by the National Development and Reform Commission, heating enterprises have faced a difficult business situation in general. With the gradual introduction of a number of policies, the enhancement and upgrading of the energy structure, the heating industry gradually became more concentrated on large scale and centralized heating with cleaner energy sources became more prevalent. The exploration of application of digital intelligent technologies will also serve to provide more room for the development of the heating industry.

## II. BUSINESS REVIEW

In 2022, facing the complex economic situation and various risks and challenges such as the sudden outbreak of the COVID-19, the Group has jointly overcome various obstacles at such a difficult time. In addition to the prevention and control of the pandemic, the Group also closely focused on satisfying its targets in production and operation for the year and made solid progress in all its work, thereby achieving its main objectives and tasks for the year. During the Reporting Period, the Group achieved a total operating revenue of RMB1,654.71 million and a total profit of RMB165.64 million. As at 31 December 2022, the Group's total assets amounted to RMB3,038.97 million and the owners' equity attributable to shareholders of the listed company amounted to RMB911.90 million.

### (1) Heat Supply Business

In 2022, the Group always upheld its social responsibilities of providing sustainable heat supply and supporting people's livelihood. The Group has overcome factors such as continuous increase in coal prices and prices of heat source that have



# MANAGEMENT DISCUSSION AND ANALYSIS

been prevalent for years, increase in heat supply temperature standards and extension of heat supply hours and ensured the stable development of its heat supply business. Responding to the national strategies of achieving “carbon emission peak and carbon neutrality”, the Group continued to consolidate measures for environmental protection and emission reduction, to explore the application of clean energy sources and to accelerate the development of smart and digitalised heat supply systems. During the year, the overall profit of the Group’s heat supply business increased as compared with that of the previous period.

For the year ended 31 December 2022, the Group’s heat service area was approximately 65.21 million sq.m., representing an increase of 3.415 million

sq.m. or 5.53% from 61.795 million sq.m. in 2021, and the Group had 533,368 heat supply customers, representing an increase of 25,515 users or 5.02% from 507,853 in 2021. For the year ended 31 December 2022, the Group’s revenue from heat supply business was RMB1,538.42 million, representing an increase of RMB41.38 million or 2.76% from RMB1,497.04 million in 2021.

## 1. Customers

Customers of our heat supply business are generally residential and non-residential users within the Group’s heat service area. The table below sets out a breakdown of number of, and revenue contribution by, residential and non-residential users as at/ for the year ended 31 December 2022.

	As at/for the year ended 31 December			
	2022	% of revenue from heat supply	2021	% of revenue from heat supply
	Number of customers		Number of customers	
Residential users <sup>(1)</sup>	470,019	88.12%	449,081	88.43%
Non-residential users <sup>(2)</sup>	63,349	11.88%	58,772	11.57%
<b>Total</b>	<b>533,368</b>	<b>100%</b>	<b>507,853</b>	<b>100%</b>

### Notes:

- (1) The number of residential users is per household.
- (2) Non-residential users represent end-users other than residential users, such as industrial end-users, commercial end-users and other end-users.

## 2. Heat procurement

In recent years, due to the implications of national policies on environmental protection, energy conservation and emission reduction, the heat supply market has shown a trend of becoming more concentrated on large scale and centralized heating with cleaner energy sources

becoming more prevalent. In 2022, the Group continued its model of providing heat supply from clean energy sources with cogeneration as the main source for the purpose of providing heating services to heat users within its jurisdiction in winter. During the Reporting Period, for the purpose of meeting the demand from the Group’s additional heat service area, apart from purchasing cogeneration power from the four thermal power plants, the Group also purchased heat from peak-shaving boiler of its controlling shareholder for heating. In addition, Xixing Energy and Chuncheng Biomass, both the Group’s subsidiaries, produced heat through their own coal-fired boilers and biomass fuels respectively for heat supply.



# MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2022, the total heat procurement by the Group from the local cogeneration plants and its controlling shareholder, amounted to 22.04 million GJ and 2.20 million GJ respectively, with a total heat procurement of 24.24 million GJ, among which 20.98 million GJ of heat was used for the Group's heat supply and production purposes.

### 3. Heat transmission

For the year ended 31 December 2022, approximately 3.25 million GJ of heat

procurement quota obtained from the cogeneration plants and Chuncheng Investment, the controlling shareholder, by the Group was transferred to other four heat service providers. We received a total heat transmission fee of RMB19.35 million from such four heat service providers.

The following table sets forth the breakdown of the usage of the Group's heat procurement for the year ended 31 December 2022:

	As at/for the year ended 31 December	
	2022	2021
Estimated heat procurement quota (GJ) <sup>(1)</sup>	<b>23,380,000</b>	23,580,000
Heat procurement quota transferred (GJ) <sup>(2)</sup>	<b>3,254,915</b>	2,732,291
Actual consumption (GJ) <sup>(3)</sup>	<b>20,981,983</b>	19,040,969
Total heat procured (GJ) <sup>(4)</sup>	<b>24,236,898</b>	21,773,260
Utilization rate <sup>(5)</sup>	<b>89.74%</b>	80.75%

*Notes:*

- (1) The heat procurement quota was an estimate of the heat procurement prior to each heat supply period based on the historical heat procurement amount.
- (2) During the Reporting Period, we transferred certain portion of procured heat to four other heat service providers. We charged heat transmission fees accordingly.
- (3) Actual consumption of heat procured by us represents the aggregate amount of actual heat supply and consumption data each month as recorded by measuring equipment and reviewed and agreed by each of four local cogeneration plants and the controlling shareholder, Chuncheng Investment, and us.
- (4) The total heat procured was the sum of heat procurement quota transferred and the actual consumption. Procurement of heat exceeding the estimated heat procurement quota is subject to the supplemental agreements between the cogeneration plants and us.

- (5) Utilization rate of heat procurement is calculated by dividing the actual consumption by the estimated heat procurement quota.

## (2) Construction, Maintenance, Design and Others

The Group's construction, maintenance, design and others cover the peripheral services business of the heat supply industry chain. We mainly provide services include engineering construction, engineering maintenance, design services and so on for heat supply companies or end-users. These services mainly cover northeast China. For the year ended 31 December 2022, revenue generated from the Group's construction, maintenance and design services and others amounted to RMB116.29 million, representing a decrease of RMB36.27 million, or 23.77%, from RMB152.56 million in 2021.





# MANAGEMENT DISCUSSION AND ANALYSIS

The engineering construction business undertook a total of 135 projects during the year, of which 121 were completed, including heat supply projects such as the relocation of heating pipe for the rail transit Line 6 and heat supply for the first tender section of the Western Heat Source Construction Project (Phase I). During the year, in addition to strengthening the cooperation between internal and external parties in the construction processes, we paid more attention to the safety management in the construction, in which we not only checked for any safety hazards at all times, but also organized safety drills and safety education and training for any emergency on a number of occasions.

The engineering maintenance business undertook a total of 118 projects during the year, of which 115 were completed, including large-scale heating projects such as C-2 secondary heating network project for Xinxingyu, Judicial Police Officers' Apartment (新星宇•司法警官公寓C-2熱力二次網工程項目) and relocation of Second Hospital of Jilin University (Phase I). In addition to undertaking the construction of a number of heating infrastructure projects in the province, we are also committed to diversify our services, reasonably expanding our business scopes. While expanding service categories, we also enhanced the quality of our services.

The design services business undertook 40 projects during the year, of which 25 were completed. This year, we focused on improving the overall core competencies of our design team. In particular, we successfully passed the re-certification of qualification as a National High-tech Enterprise and increased our investment in technological innovation and R&D projects. During the year, 2 new utility model patents were granted by the China National Intellectual Property Administration; 2 software copyrights were issued by the National Copyright Administration of the People's Republic of China. 3 papers were published in national

journals. In the third "Smart Construction Cup" International Smart Construction Innovation Awards (第三屆“智建杯”國際智慧建造創新大獎賽), our entry "Application of Digitalized (Fully Automated) Western Heat Source Construction Project (Phase I) in Smart Construction" (《數字化(全自動化)西部熱源建設項目(一期)項目在智慧建造中的應用》) won the bronze award in the design category.

### (3) Safety Management

In 2022, the Group has comprehensively implemented all major decisions and deployments from the government at all levels with regard to safety production. Specifically, the Group adhered to the safety production policy of "safety first, with focus on prevention and implementing comprehensive management (安全第一、預防為主、綜合治理)" and implemented safety responsibilities at all levels from top to bottom. The Group strictly complied with various production safety rules and regulations and ensured the successful completion of its annual safety targets by conducting annual safety production assessment and evaluation, safety supervision and inspection, safety production training and drills, fire-fighting equipment inspection and replacement, etc. During the Reporting Period, the Group did not have any major safety accidents.

### (4) Technology and R&D

In 2022, the Group explored the development and application of new technologies and materials in the industry from multiple fields and perspectives through independent R&D and cooperation with different sectors in the society including universities. At present, the Group has completed the design and development of the mobile terminal of the "Heat Supply e-Home" (熱力e家), a mobile APP, the development of the "Fuel Statistics Management System", as well as the establishment of the star schema of data exchange for "Heat Supply Data System".



# MANAGEMENT DISCUSSION AND ANALYSIS

In terms of exploring the feasibility of new energy sources for heat supply, the Group explored the feasibility of combustion of “coal with biomass” and the development of “biomass tank”, and wrote a paper titled “The impact of combustion of biomass with coal on the operation of boilers” (《淺談生物質與燃煤混燒對鍋爐運行的影響》), which won the “Excellent Paper” (優秀論文) at the Annual Academic Conference of China District Heating Association in 2022.

In respect of smart retrofitting of heating facilities, the Group launched the project of “Smart Retrofitting of Heating Facilities”, phase I of which has been implemented this year. The project adopts the regulation and control mode of unit control and building control according to the actual situation of each community, and realizes the intelligent regulation of the second network heating system by building a data monitoring platform and installation of indoor temperature collectors, intelligent regulating valves, collection concentrators, pressure telecontrol and other equipments so as to ensure balanced temperature throughout indoor spaces, ultimately achieving energy saving and consumption reduction.

During the Reporting Period, the Group obtained a total of 7 utility model patents issued by the China National Intellectual Property Administration and 5 computer software copyright certificates issued by the National Copyright Administration.

## (5) Honors and Awards

On 11 January 2022, the Group was awarded the title of “Best Infrastructure and Public Utilities Company” (最佳基建及公共事業公司) at “2022 Global Investment Trend Forum and Sixth Golden Hong Kong Stock Awards Ceremony”.

In January 2022, the Group was awarded the “Investment Gateway Pioneer Award” (投關先鋒獎) by Hithink Royal Flush.

On 22 August 2022, the Group was awarded the title of “No. 1 Energy-Efficient Enterprise in the Heating Industry for the Heating Period (2020–2021)” (2020–2021供暖期供熱行業能效領跑者第一名) and the “Excellent Organisation Award” (優秀組織獎) by the China District Heating Association at the main forum of the 5th Annual China Heating Academic Conference.

On 21 November 2022, the Group’s design company won the “Bronze Award for BIM Design under the International Smart Construction Innovation Application Award” (國際智慧建造創新應用大獎賽 BIM設計銅獎) at the third “Smart Construction Cup” International Smart Construction Innovation Awards (第三屆「智建杯」國際智慧建造創新大獎賽).

On 1 December 2022, the Group was awarded the title of “Jilin Province Star Workers’ Congress” (吉林省星級職工代表大會) by the Office of the Leading Group of Factory Affairs of General Trade Union of Jilin Province.

On 20 December 2022, the Group was awarded the title of “Listed Company with the Highest Investment Value” (最具投資價值上市公司) at the 12th Hong Kong International Finance Forum cum China Securities “Golden Bauhinia Award” Ceremony (第十二屆香港國際金融論壇暨中國證券「金紫荊獎」頒獎典禮).



# MANAGEMENT DISCUSSION AND ANALYSIS

## III. FINANCIAL POSITION AND OPERATING RESULTS

### (1) Revenue

The Group's revenue increased by 0.31% to RMB1,654.71 million in 2022 as compared with RMB1,649.60 million in 2021, which was largely the same as those in 2021. In particular, (i) there was an increase in revenue from heating fee and pipeline connection fee of RMB41.38 million due to

the increase in heat service area, and (ii) the revenue from the Group's construction, maintenance, design and other business decreased by 23.77% to RMB116.29 million in 2022 as compared with RMB152.56 million in 2021. The substantial decrease in revenue during the current period was attributable to a decrease in revenue as a result of the completion of the "Three Supplies and Property Management (三供一業)" projects and the pandemic, which led to a decrease in the number of large projects we undertook.

	2022 RMB'000	2021 RMB'000	Change in percentage
<b>Heat supply, of which:</b>			
Provision and distribution of heat	1,447,806	1,411,751	2.55%
Pipeline connection fee	71,261	70,117	1.63%
Heat transmission	19,353	15,168	27.59%
Subtotal	1,538,420	1,497,036	2.76%
<b>Construction, maintenance and design services and others, of which:</b>			
Engineering construction	43,819	57,776	(24.16%)
Engineering maintenance	26,481	43,977	(39.78%)
Design services	7,824	8,731	(10.39%)
Others	38,161	42,078	(9.31%)
Subtotal	116,285	152,562	(23.77%)
Total	1,654,705	1,649,598	0.31%

### (2) Other Income and Other Net Gains

The Group's other income and other net gains increased by 41.19% to RMB34.76 million in 2022 as compared with RMB24.62 million in the same period of 2021, mainly due to the increase in other income received from the grants for employment stabilization and pandemic subsidies, listing subsidies as well as interest income.

### (3) Operating Costs

The Group's operating costs increased by 7.53% to RMB1,424.06 million in 2022 as compared with RMB1,324.28 million in 2021.



# MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the breakdown of the operating costs by business segment:

	2022 RMB'000	2021 RMB'000	Change in percentage
<b>Operating costs by business segment</b>			
Heat supply	1,339,963	1,201,204	11.55%
Construction, maintenance, design and others	84,094	123,078	(31.67%)
Total	1,424,057	1,324,282	7.53%

## Heat supply costs

Cost of sales for heat supply business primarily consists of heat procurement costs in connection with heat procurement from local cogeneration plants and the controlling shareholder, cost of purchase of coal for heat produced by coal-fired boilers, repair and labor cost (primarily includes wages, salaries and benefits for our employees involved in the provision and distribution of heat) and utility costs. The breakdown of operating costs by heat supply business segment is as follows:

	2022 RMB'000	2021 RMB'000	Change in percentage
<b>Operating costs for heat supply</b>			
Heat procurement costs	767,281	647,794	18.45%
Coal	62,660	36,175	73.21%
Maintenance and repair	82,478	78,810	(4.65%)
Labor	152,075	144,602	5.17%
Depreciation and amortization	130,951	129,567	1.07%
Utility	77,267	76,258	1.32%
Input VAT transferred out	52,758	46,107	14.43%
Others	14,494	41,891	(65.40%)
Total	1,339,963	1,201,204	11.55%

In 2022, the Group's heat procurement costs increased by 18.45% to RMB767.28 million as compared with RMB647.79 million in 2021, primarily due to the increase in heat sources price and the 7-day extension of heat supply as required by the government in response to the COVID-19 pandemic.



# MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, the Group's coal cost increased by 73.21% to RMB62.66 million as compared with RMB36.18 million in 2021, primarily due to the increase in cost arising from higher coal prices and the 7-day extension of heat supply as required by the government in response to the COVID-19 pandemic.

In 2022, the Group's maintenance and repair costs increased by 4.65% to RMB82.48 million as compared with RMB78.81 million in 2021, primarily due to more external maintenance projects during the current period.

In 2022, the Group's labor cost increased by 5.17% to RMB152.07 million as compared with RMB144.60 million in 2021, primarily due to the 7-day extension of heat supply as required by the government in response to the COVID-19 pandemic.

In 2022, the Group's depreciation and amortization amounted to RMB130.95 million as compared with RMB129.57 million in 2021. Depreciation and amortization costs in 2022 remained largely stable as compared with 2021.

In 2022, the Group's utility cost amounted to RMB77.27 million as compared with RMB76.26 million in 2021. Utility cost in 2022 remained largely stable as compared with 2021.

In 2022, the Group's input VAT transferred out increased by 14.43% to RMB52.76 million, as compared with RMB46.11 million in 2021, primarily due to higher heat supply costs.

In 2022, the Group's other cost decreased by 65.40% to RMB14.49 million as compared with RMB41.89 million in 2021, primarily due to cost reduction as a result of enhanced control of other costs.

## Costs for construction, maintenance, design and others

Operating costs for construction, maintenance, design and others primarily consists of cost of materials, labor, machinery and other costs. In 2022, the operating costs for construction, maintenance, design and others decreased by 31.27% to RMB84.09 million as compared with RMB123.08 million in 2021. The decrease in cost was mainly due to decrease in business as a result of the completion of the "Three Supplies and Property Management (三供一業)" projects.

## (4) Gross Profit and Gross Profit Margin

In 2022, the Group's gross profit decreased by 29.10% to RMB230.65 million as compared with RMB325.32 million in 2021.

In 2022, the Group's gross profit margin decreased by 5.78% to 13.94% as compared with 19.72% in 2021. This was mainly due to the increase in coal prices and heat procurement prices as well as the 7-day extension of heat supply as required by the government in response to the COVID-19 pandemic during the current period, contributing to higher heat supply costs and lower gross margins.

Gross profit and gross profit margin of the Group are set out as follows:

	2022 RMB'000	2021 RMB'000
<b>Operating revenue</b>	<b>1,654,705</b>	1,649,598
Operating costs	<b>1,424,057</b>	1,324,282
Gross profit	<b>230,648</b>	325,316
<b>Gross profit margin</b>	<b>13.94%</b>	19.72%



# MANAGEMENT DISCUSSION AND ANALYSIS

## (5) Administrative Expenses

In 2022, the Group's administrative expenses decreased by 13.69% to RMB99.23 million as compared with RMB114.97 million in 2021, primarily due to the control of labour costs during the current period.

## (6) Finance Costs

In 2022, the Group's finance costs was RMB-13.48 million as compared with RMB-1.19 million in 2021. Such change was primarily due to the increase in interest income received during the current period.

## (7) Income Tax Expenses

In 2022, the Group's income tax expenses increased by 15.00% to RMB50.98 million as compared with RMB44.33 million in 2021, which was principally due to the increase in taxable income as calculated in accordance with the Enterprise Income Tax Law and its relevant regulations and the income tax expenses for the current period increased by RMB6.65 million as compared to the previous period.

## (8) Profit for the Year

In 2022, the Group's profit for the year decreased by 6.59% to RMB114.67 million as compared with RMB122.76 million in 2021. The decrease was mainly due to an increase in coal prices and heat source prices during the current period as well as the 7-day extension of heat supply as required by the government in response to the COVID-19 pandemic, contributing to higher heat supply costs.

## (9) Profit Attributable to Owners of the Company

In 2022, profit attributable to owners of the Company decreased by 6.59% to RMB114.67 million as compared with RMB122.76 million in 2021. The decrease in profit attributable to owners of the Company was in line with the decrease in profit for the year.

## (10) Liquidity and Capital Resources

The Group's cash and cash equivalents increased by 55.08% to RMB1,030.24 million as at 31 December 2022, as compared with the balance of RMB664.31 million as at 31 December 2021, which was primarily due to (i) the increase in net cash flow from operating activities of RMB122.15 million in 2022 as compared to 2021; and (ii) the increase in consolidated net cash flow from investing activities and financing activities of RMB311.81 million in 2022 as compared to 2021. The main sources of the Company's operating capital were from (i) unutilised bank financing facilities of RMB466.00 million as at 31 December 2022; and (ii) its own funds accumulated from operating activities, as at 31 December 2022, cash and cash equivalents amounted to approximately RMB1,030.24 million. As at 31 December 2022, the Group's bank borrowing amounted to RMB234.00 million.

## (11) Capital Expenditure

In 2022, the Group's capital expenditure decreased by 35.46% to RMB50.43 million, as compared with RMB78.14 million in 2021. The decrease in capital expenditure was mainly attributable to decrease in the amount of fixed assets purchased.

## (12) Capital Structure

As of 31 December 2022, the equity attributable to owners of the Group amounted to RMB911.90 million, which represents an increase of RMB63.88 million as compared to 31 December 2021, mainly due to the profit for the year.



# MANAGEMENT DISCUSSION AND ANALYSIS

## IV. RISK FACTORS AND RISK MANAGEMENT

### (1) Industry risks

Policies such as the national goal of “carbon emission peak and carbon neutrality” may lead to change in costs for thermal power plants, such as an increase in costs for future thermal power plants, and the government may correspondingly increase the ex-factory price of heat sources for cogeneration enterprises, which has an impact on the Group’s heat purchase costs. Meanwhile, the prices of services provided by the Group’s related heating construction, maintenance and design business are also subject to control and regulation under government policies. Therefore, the government may adjust the relevant pricing due to geographical location, changes in market demand levels or overall economic development. Accordingly, the Group’s operations may be affected by adjustments to relevant laws and regulations as well as local policies in the PRC that are relevant to the heating industry, nevertheless, government departments will conduct in-depth studies on the heating industry before making any adjustments and take into full consideration the actual operating conditions of the companies within the heating industry.

The Group will strengthen the cost control over its management staff, strengthen internal supervision, enhance market resilience, improve smart management capabilities and increase the efficiency of the use of the smart heating network system to achieve people-oriented operation and demand-based heat supply.

### (2) Policy risks

The Group’s operating activities of heat supply are subject to adjustment in accordance with changes in national industry policies and need to be adjusted accordingly in accordance with their requirements.

If there is a significant change in industry policies of heat supply, it may intensify competition in the industry and heighten the market risks, which may have a certain degree of negative impact on the Group’s operation. National and local environmental protection authorities may further impose more stringent environmental protection standards and measures, the compliance of which may result in increased operating cost for the Group to meet such standards.

The Group will adhere to the principles and requirements set out in various national and local government’s economic policies, industry policies, as well as laws and regulations so as to formulate its development goals and direction. At the same time, the Group will invest more costs in upgrading existing equipment and optimizing equipment parameters to meet the requirements of regulatory authorities.

### (3) Climate risk

The cost of heating for the heat supply business of the Group is significantly affected by changes in outdoor weather condition during the heating period. In the event of extreme weather or low outdoor temperature, the Group will monitor and estimate the needs for procurement of more heat to maintain the indoor temperature of users based on relevant data, which will result in an overall increase in the purchase of heat and/or total coal consumption by thermal power plants, resulting in a significant increase in the Group’s heating costs and vice versa.

The Group will make full use of the advanced smart management mode of the smart heating network platform and the advantages of self-adjustment by virtue of network for purchase of multiple sources of heat to adopt scientific and smart adjustment means and reasonably deploy output of heat, so as to reduce the adverse impact of climate risk on the increase in the Group’s heating costs.



# MANAGEMENT DISCUSSION AND ANALYSIS

## (4) Exchange Risk

The Group's business activities are mainly conducted in the PRC and its borrowings are also settled in RMB, and changes in exchange rates do not have a material impact on the Group.

## (5) COVID-19-related Risk

Due to the outbreak of the COVID-19 in Changchun from early March to early May 2022, the Group extended the heating days in accordance with the government's requirements, resulting in an increase in the cost of the Group's heating business in the first half of the year. At the same time, the outbreak of COVID-19, to a certain extent, gave rise to lockdown in certain regions and traffic standstill, and resulted in delay in the construction of some construction and maintenance projects.

At present, the outbreak has been effectively contained in Jilin Province, but there is still a high degree of uncertainty regarding the global outbreak of the pandemic and its prevention and control, which may adversely affect the Group's production and operation if the outbreak recurs in the PRC in the future.

## V. OTHER SIGNIFICANT EVENTS

### (1) Significant Investments

The Group did not have any significant investments for the year ended 31 December 2022.

### (2) Material Acquisitions and Disposals

The Group did not have any material acquisitions nor disposals for the year ended 31 December 2022.

### (3) Capital Commitment and Contingent Liabilities

The Group did not have any material capital commitment nor contingent liabilities for the year ended 31 December 2022.

## (4) Charge on Assets

There was no material charge on the Group's assets for the year ended 31 December 2022.

## (5) Employees and Remuneration Policies

As at 31 December 2022, the Group had a total of 1,562 employees, all of whom are based in the PRC. In 2022, the Group maintained its existing employees' remuneration package which comprises basic salary, position salary and monthly and yearly performance incentives in accordance with the Measures for Employees' Wage Management (《勞動工資管理辦法》). The determination of remuneration which is based on both position value and performance appraisals helps motivate employees' contribution and dedication to the Group.

During the Reporting Period, the Group continued to improve its training system and training mechanism around the construction of a talent pool and the growth needs of its staff, established access for staff development, carried out supplementary selection of outstanding talents and orderly conducted staff mobility strategies such as rotation and position competition in their day-to-day work so as to promote the development of the group entities and appreciation of human capital.

The relationship management of all employees of the Group strictly adheres to the requirements of national laws and regulations. The Group manages labor relations with its employees in compliance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》). The Group strictly abides by the requirements of national and local competent authorities, completes registrations for social insurance contributions and provides its employees with statutory benefits such as the Five Insurances and One Fund. The staff teams enjoy an overall harmonious labor relationship.





# MANAGEMENT DISCUSSION AND ANALYSIS

## VI. PROSPECTS AND OUTLOOK

China's 14th Five-Year Plan has clearly defined the new direction and requirements for urban heating development. With the development of national efforts on developing heating from clean energy sources and the strategic goal of "carbon peaking and carbon neutrality", combined with 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》), it is essential for the Group to optimize and adjust the heating structure and to improve the coverage of centralized heating, while focusing on the retrofitting of centralized heating pipeline network and increasing the proportion of clean energy sources in heating for better energy efficiency. It is the future development trend of urban heating in Changchun City to build a clean, low-carbon, safe and efficient heating system.

In recent years, there has been a rise in coal prices due to the increasing demand for coal as well as the international situation, policies on environmental protection, output and transportation costs, and the rise will continue, which resulted in the rise in purchase price of heat sources for power plants. Driven by the fact that the demand for heat supply increased year-on-year, and that the procurement of heat by power plants is volatile and their demand gradually became saturated, heat supply enterprises intensify their development on and investment in their own heat sources so as to ensure sufficient heat supply.

For the purpose of aligning with the national and government developments goals, the Group will control the entire process of planning, implementation and settlement of the Group, and formulate short, medium and long-term development plans. We will develop our businesses in compliance with relevant national policies and open up sources of energy and cutting costs in order to achieve the industrial transformation and high-quality development of the clean heat supply. The key for business breakthrough in the future for heat supply enterprises is not limited to rely on government policies, but to focus their efforts on developing core technologies, strengthening the core competitiveness of enterprises, tapping into its potential and enhancing its efficiency, and working on improving its market competitiveness. Meanwhile, the Group is investing more effort in the research and development of heating technologies with the aim to drive production with science and technologies. The Group will also stress on its role in innovation, so as to provide solid scientific and technological support and protection for the development of "smart heating" technologies, the enhancement of people's wellbeing and its goal to work for people's livelihoods. In 2023, the Group will also further improve the quality and standard of its services of its construction, maintenance and design businesses. Working on building its branding in services by virtue of its existing businesses, the Group will make the good use of its existing advantages in the heat supply industry chain so as to gain more market share and lay a solid foundation for the development of its heat supply business.



# WORK REPORT OF THE DIRECTORS

The Board of the Company presents the Group's annual report for the year 2022 (the "**Annual Report**") and the audited consolidated financial statements of the Group prepared in accordance with the Chinese Accounting Standards for Business Enterprises for the year ended 31 December 2022 (the "**Financial Statements**") to the Shareholders.

## CORPORATE INFORMATION

The Company was incorporated in the PRC on 23 October 2017 and is currently a joint stock company with limited liability. The H Shares of the Company were listed on the Main Board of the Stock Exchange on 24 October 2019.

Basic information of the Company is set out in "Corporate Profile" section on page 3 and "Corporate Information" section on pages 257 to 258 of this report.

## PRINCIPAL BUSINESS

The Group is the largest heat service provider in Jilin Province. Heat supply is our core business, which has more than 20 years of operating history in Changchun. We also offer construction, maintenance and design services and others which include (i) engineering construction, (ii) engineering maintenance, (iii) project design and others. Details of the principal subsidiaries of the Company are set out in Note VIII to the Financial Statements.

## RESULTS

The audited results of operations of the Group for the year ended 31 December 2022 are set out in the combined income statement on pages 63 to 64 of this Annual Report. The financial position of the Group as at 31 December 2022 is set out in the combined statement of financial position on pages 60 to 62 of this Annual Report. The consolidated cash flows of the Group for the year ended 31 December 2022 are set out in the combined statement of cash flows on pages 65 to 66 of this Annual Report.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in "Management Discussion and Analysis" section on pages 5 to 16 of this Annual Report.

## BUSINESS REVIEW

During the Reporting Period, heat supply continued to be the Group's principal business, while the Group also offered construction, maintenance and design services and others which include (i) engineering construction, (ii) engineering maintenance, (iii) project design and others. A review of the business of the Group during the year and a discussion on the Group's future business development are set out on pages 5 to 9 and page 16 of this Annual Report. A description of possible main risks and uncertainties that the Group may face is set out on pages 14 to 15 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is set out on pages 10 to 13 of this Annual Report. Save as disclosed in "Significant Events After The Reporting Period" on page 32 of this report and Note XIV to the Financial Statements, to the best of the knowledge of the Directors, there has not been any important event affecting the Group since the end of the financial year.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

A discussion on the Group's environmental policies and performance will be set out in the Environmental, Social and Governance Report which is published simultaneously with this Annual Report in the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cc-tp.com.cn>).



# WORK REPORT OF THE DIRECTORS

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Group has been setting up systemic and allocating staff resources to ensure continuous compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the Reporting Period, the Group has complied, to the best of the knowledge of Directors, with all relevant rules and regulations that have a significant impact on the Company.

## SHARE CAPITAL

As at 31 December 2022, the total share capital of the Company was 466,700,000 Shares, divided into 350,000,000 Domestic Shares and 116,700,000 H Shares, with par value of RMB1.00 each. During the year ended 31 December 2022, the Company did not issue any new Shares in exchange for cash or other assets.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities or redeemable securities during the year ended 31 December 2022.

## CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS

For the year ended 31 December 2022, no convertible securities, options, warrants and other similar rights were issued and granted by the Company or any of its subsidiaries, and no conversion rights or subscription rights were exercised pursuant to any convertible securities, options, warrants and other similar rights issued or granted by the Company or any of its subsidiaries at any time.

## DEBENTURES IN ISSUE

Neither the Company nor any of its subsidiaries issued any debentures during the year ended 31 December 2022.

## EQUITY-LINKED AGREEMENT

For the year ended 31 December 2022, the Company did not enter into any equity-linked agreement and there was no equity-linked agreement.

## PERMITTED INDEMNITY

The Company has maintained appropriate liability insurance for its Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance. No permitted indemnity was provided by the Company as at the date of this Annual Report and no permitted indemnity was made as at the date of this Annual Report.



# WORK REPORT OF THE DIRECTORS

## PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER

The controlling shareholder of the Company did not pledge any of its shares in the Company to secure its debts or did not provide any pledge over the Company's debt or other support for the year ended 31 December 2022.

## CHARGES ON ASSETS

For the year ended 31 December 2022, there were no charges on the Group's assets.

## LOAN ARRANGEMENTS GRANTED TO ENTITIES

For the year ended 31 December 2022, the Group did not grant any loan to any entity which is subject to disclosure requirements under Rule 13.13 of the Listing Rules.

## LOAN AGREEMENTS OR FINANCIAL ASSISTANCE

For the year ended 31 December 2022, the Company has not provided any financial assistance or guarantee to its subsidiaries, nor has it provided any financial assistance or guarantee to its subsidiaries that is required to be disclosed under Rule 13.16 of the Listing Rules. The Company did not enter into any loan agreement with covenants relating to specific responsibility of its controlling shareholder nor breach the terms of any loan agreements for the year ended 31 December 2022.

## SHARE OPTION SCHEME

For the year ended 31 December 2022, the Company had not implemented any share option scheme.

## PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company has no provision on pre-emptive rights requiring it to propose new issues to its existing Shareholders in proportion to their shareholdings.

## DIVIDEND POLICY

In order to provide return to its Shareholders, and having considered the financial and business conditions of the Group after the Listing, the Board has approved and adopted a dividend policy (the "**Dividend Policy**"). According to the Dividend Policy, in the absence of any adverse circumstances which might reduce the profits that are distributable whether by losses or otherwise, the Company will distribute no less than 30% of its annual distributable net profit to Shareholders as annual dividends in any financial year in compliance with relevant laws and regulations of the PRC and Hong Kong and after relevant considerations are met.

The declaration and payment of dividends shall remain to be determined at the sole discretion of the Board. Any declaration of dividends shall be conducted in accordance with all applicable PRC laws and regulations, the Articles of Association, all applicable laws and regulations of the place where the shares of the Company are listed, and other applicable laws and regulations.

A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, the Company's results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under ASBE or the International Financial Reporting Standards (whichever is lower), the Articles of Association, the PRC Company Law and any other applicable PRC law and regulations and other factors that the Directors may consider relevant without prejudice to the normal operation of the Group.



# WORK REPORT OF THE DIRECTORS

The Board shall continually review the Dividend Policy and reserve the absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time. The Company does not guarantee the payment of any specific amount of dividends for any given period of time.

## FINAL DIVIDEND

The Board resolved to propose to the Shareholders of the Company at the 2022 AGM to be held on 19 May 2023, for their consideration and approval of the payment of a final dividend of RMB0.09 per Share (tax inclusive) (2021: RMB0.115 per Share) for the year ended 31 December 2022 (the “**2022 Final Dividend**”) payable to the Shareholders of the Company, whose names appear on the register of members of the Company on 7 June 2023, in an aggregate amount of approximately RMB42.00 million (2021: approximately RMB53.67 million). The 2022 Final Dividend will be denominated and declared in RMB. Dividends on Domestic Shares will be paid in RMB and dividends on H Shares will be paid in Hong Kong dollars. Subject to the passing of the relevant resolution at the AGM, the 2022 Final Dividend are expected to be paid on 7 July 2023.

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) and the Implementation Rules of the Enterprise Income Tax Law of People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) implemented in 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% when distributing the 2022 Final Dividend to its non-resident enterprise Shareholders of overseas H Shares (including HKSCC Nominees Limited, other corporate nominees or trustees, or other entities and organizations) whose names appear on the H Shares register of members of the Company on 7 June 2023.

According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No.348) (國家稅務總局國稅函[2011]348號) and relevant laws and regulations, if the individual H Share Shareholders are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Shareholders. If the individual H shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the individual H Share Shareholders shall make self-assessment regarding whether they meet the conditions for enjoying the tax treaty benefits pursuant to the Announcement of the State Administration of Taxation (2019 No.35) (國家稅務總局公告[2019年第35號]). If the Shareholders are entitled to such treaty benefits, they shall duly fill in the Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits (《非居民納稅人享受協定待遇信息報告表》) and submit to the Company. After receiving and ensuring the completeness of information of the form, the Company will withhold the tax in accordance with the provisions of domestic tax laws and tax treaty, and duly submit the form as a schedule for withholding declaration to the competent tax authority. The Company will withhold the tax pursuant to the provisions of domestic tax laws for Shareholders whose Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits has not been submitted or has missing information. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or those countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Shareholders.



# WORK REPORT OF THE DIRECTORS

The Company will determine the country of domicile of the individual H Share Shareholders based on the registered address as recorded in the H Share register of members of the Company on 7 June 2023 (the “**Registered Address**”). If the country of domicile of an individual H Share Shareholder is not the same as the Registered Address or if the individual H Share Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H Share Shareholder shall notify and provide relevant supporting documents to the Company on or before 4:30 p.m. on Wednesday, 31 May 2023. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Share Shareholders may either personally or appoint a proxy to attend to the procedures in accordance with the requirements under the tax treaty notice if they fail to provide the relevant supporting documents to the Company within the time period stated above.

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

Shareholders are recommended to consult their taxation advisors for advice on the PRC, Hong Kong and other tax effects with respect to the holding and disposing of H Shares of the Company.

According to the Articles of Association, the Hong Kong dollars required for the payment of cash dividends and other amount by the Company to the individual H Share Shareholders shall be arranged in accordance with the provisions of the PRC in relation to foreign exchange administration.

The Company was not aware of any arrangement under which a Shareholders has waived or agreed to waive any dividend for the year ended 31 December 2022.

## ANNUAL GENERAL MEETING

The annual general meeting will be scheduled on Friday, 19 May 2023 (the “**AGM**”). A notice convening the AGM of the Company will be issued and dispatched to the Shareholders in due course in accordance with the Listing Rules.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders’ rights to attend and vote at the AGM and the entitlement to the proposed 2022 Final Dividend, the register of members of the Company will be closed from Tuesday, 16 May 2023 to Friday, 19 May 2023 (both days inclusive) and from Thursday, 1 June 2023 to Wednesday, 7 June 2023 (both days inclusive) respectively, during which period no transfer of H Shares will be registered.

In order to be eligible to attend and vote at the forthcoming AGM, holders of H Shares of the Company shall lodge transfer documents with the Company’s H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 May 2023.

In order to be entitled to the proposed 2022 Final Dividend (subject to the approval by the Shareholders at the forthcoming AGM), holders of H Shares of the Company shall lodge transfer documents with the Company’s H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 31 May 2023.



# WORK REPORT OF THE DIRECTORS

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out under Remark 9 in Note VI to the Financial Statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out under Remark 32 in Note VI to the Financial Statements of this Annual Report and in the combined statement of changes in equity on pages 67 to 68 of this Annual Report, respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution amounted to approximately RMB299.22 million (as at 31 December 2021: RMB263.47 million).

## DONATIONS

For the year ended 31 December 2022, the Group has donated a total of RMB nil (2021: RMB nil).

## BANK BORROWINGS AND OTHER BORROWINGS

As at 31 December 2022, the bank and other borrowings of the Group amounted to RMB234,000,000 (as at 31 December 2021: RMB nil).



# WORK REPORT OF THE DIRECTORS

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Part of the information of the Directors, Supervisors and senior management of the Company for the year ended 31 December 2022 and as at the date of this report is illustrated below.

Name	Position in the Company	Date of appointment
Mr. LIU Changchun	Non-executive Director and Chairman of the Board	28 May 2021 (resignation effective from 6 March 2023)
Mr. SUN Huiyong	Non-executive Director and Chairman of the Board	29 March 2023
Mr. YANG Zhongshi	Executive Director and Vice Chairman of the Board	28 May 2021
	General Manager	30 May 2021
Mr. SHI Mingjun	Executive Director	28 May 2021
	Deputy General Manager	23 July 2018
Mr. XU Chungang	Executive Director	28 May 2021
	Deputy General Manager	23 July 2018
	Financial Controller	26 March 2019
Mr. LI Yeji	Executive Director	28 May 2021
	Director of Production Department	15 November 2022
Mr. WANG Yuguo	Independent non-executive Director	28 May 2021
Mr. FU Yachen	Independent non-executive Director	28 May 2021
Mr. POON Pok Man	Independent non-executive Director	28 May 2021
Mr. Qiu Jianhua	Chairman of the Supervisory Committee	28 May 2021
Ms. ZHANG Wei	Supervisor	28 May 2021
Ms. LI Xiaoling	Employee representative Supervisor	28 May 2021
	Head of Securities Business Department	10 October 2022
Mr. ZHANG Liming	Deputy General Manager	30 May 2018 (ceased to be Deputy General Manager since 1 September 2022)
Ms. LIU Yanan	Deputy General Manager	1 September 2022
	Chief Dispatching Officer	8 November 2019
	Director of Social Work Department	10 June 2021
Mr. WAN Tao	Board Secretary and General Office Manager	30 May 2018
	Joint Company Secretary	20 May 2019
	Assistant to General Manager	1 September 2022

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers all the independent non-executive Directors to be independent.

## BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of Directors, Supervisors and senior management of the Company are set out on pages 47 to 54 of this Annual Report.





# WORK REPORT OF THE DIRECTORS

## SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into a service contract with each of the Directors, major terms of which include that (1) the tenure should commence from the date of appointment/re-election until the end of the second term of the Board/should last for three years (not exceeding 3 years for all Directors); and (2) the tenure may be terminated in accordance with respective terms of the contract. The service agreements may be renewed pursuant to the Articles of Association and applicable rules.

The Company has entered into a contract with each of the Supervisors in respect of, among others, compliance with relevant laws and regulations, the Articles of Association and provisions of arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## EMOLUMENTS OF DIRECTORS AND SUPERVISORS

The emoluments of our Directors and Supervisors are paid in the form of fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions. The details of the remuneration of the Directors and Supervisors are set out in Note XI (IV)6. Remuneration of Key Management to the Financial Statements.

The emoluments paid to our Directors and Supervisors are determined by such factors as the size of business, industry involved, work experiences and duties, meanwhile the performance by them in various committees are considered as well. The standards and amounts for the emoluments are proposed by remuneration committee, reviewed by the Board and shall be valid after the final approval by shareholders' general meeting.

There was no arrangement under which a Director or a Supervisor of the Company waived or agreed to waive any remuneration in the Reporting Period. No remuneration were paid by the Group to the Directors or the Supervisors as an inducement to join or upon joining the Group or as compensation for loss of office in any of the year.

For the year ended 31 December 2022, the emoluments of the senior managements of the Company (other than executive Directors) are set out as below:

<b>Remuneration (RMB)</b>	<b>Number of individual</b>
Nil to 1,000,000	2

The details of Directors and the highest paid individual of the Company are set out in Note XI (IV)6. Remuneration of Key Management to the Financial Statements.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

After the end of 2022 or at any time during the year, there were no transaction, arrangement or contracts of significance subsisting in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which any Director or Supervisor or any entity connected with the Director or Supervisor had a material interest directly or indirectly.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



# WORK REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year 2022, save as disclosed below, none of the Directors or their associates had any competing interests in any business that constitutes or may constitute direct or indirect competition with the Company's businesses:

Name of Directors	Positions in the Company	Other interests
Mr. LIU Changchun ("Mr. LIU") (resignation with effect from 6 March 2023)	Non-executive Director and Chairman of the Board	Director, chairman of the board and general manager of Chuncheng Investment (Note 1)
Mr. SHI Mingjun ("Mr. SHI")	Executive Director and Deputy General Manager	Non-executive director of Datang Changre Jilin Heating Company Limited* (大唐長熱吉林熱力有限公司) ("Datang JV") (Note 2)

Notes:

- (1) Mr. LIU Changchun has been a director of Chuncheng Investment since 17 March 2016 and was the chairman of the board of Chuncheng Investment from 5 September 2016 to 30 January 2023 and was the General Manager of Chuncheng Investment from 11 March 2021 to 16 September 2022.
- (2) Mr. SHI Mingjun has been a non-executive director of Datang JV since 9 June 2017.

Although Mr. LIU Changchun has been the director, chairman of the board and general manager of Chuncheng Investment which is a controlling shareholder of the Company, during the Reporting Period, Mr. Liu, as a non-executive Director of the Company, is not involved in the day-to-day management of the Company. Mr. SHI Mingjun is the non-executive director of Datang JV, but he has never been involved in the day-to-day operation of Datang JV. We are of the view that the arrangement did not affect our operation and independence. We have taken adequate corporate governance measures, including specifying provisions to avoid conflict of interests in the Articles of Association, to ensure our management independence. Mr. LIU and Mr. SHI are fully aware of their fiduciary responsibilities, which require, among other things, that they act in the best interests of our Group and our Shareholders as a whole. In addition, as the Company, Chuncheng Investment and Datang JV are managed by different management teams, there are sufficient non-overlapping Directors who have relevant experience to ensure the proper functioning of the Board.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, no Director, Supervisor or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 those taken or deemed as their interests or short positions in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



# WORK REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES

As at 31 December 2022, to the knowledge of the Directors, the persons (other than a Director, Supervisor 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 as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholders	Types of Shares	Capacity	Number of shares/ underlying shares held (share) (Note 2)	Percentage of relevant class of share (%) (Note 3)	Percentage of total share capital (%) (Note 4)
Chuncheng Investment	Domestic Shares	Beneficial owner	325,500,000(L)	93.00(L)	69.75
Changchun State-owned Capital Investment Operation (Group) Co., Ltd.	Domestic Shares	Beneficial owner	24,500,000(L)	7.00(L)	5.25
China Foreign Economic and Trade Trust Co., Ltd. (Note 1)	H Shares	Trustee	30,500,000(L)	26.14(L)	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(L)	3.66

Notes:

- China Foreign Economic and Trade Trust Co., Ltd. is the trustee of SCBCN — Foreign Economy and Trade Trust Co., Ltd-Fotic Wuxingbaichuan No. 37 Unitrust.
- The Letter "L" denotes the relevant person's long position in such Shares.
- Based on 350,000,000 Domestic Shares or 116,700,000 H Shares of the Company in issue as at 31 December 2022.
- Based on the total issued share capital of the Company of 466,700,000 Shares as at 31 December 2022.

## MANAGEMENT CONTRACT

No contract concerning the management and administration of all or any substantial part of our business was entered into by the Company or existed in 2022.

## CONTRACT OF SIGNIFICANCE

Save as disclosed in this Annual Report, at no time during the Reporting Period had the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.



# WORK REPORT OF THE DIRECTORS

## CONNECTED TRANSACTIONS

The Company, the controlling shareholder and a connected person of the Company, did not conduct any non-exempt one-off connected transactions during the year ended 31 December 2022.

## CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2022, the Company (for itself and on behalf of its subsidiaries) has conducted the following non-exempt continuing connected transactions with its connected persons which are also regarded as “related party transactions” under the applicable accounting standards. Details of these transactions are further disclosed in Note XI(IV) to the Financial Statements of this annual report.

### Pipes Supply Agreement

Chuncheng Investment owns approximately 69.75% of the Company’s share capital. Therefore, Chuncheng Investment is a controlling shareholder of the Company. Chuncheng Investment is a connected person of the Company under Rule 14A.07 of the Listing Rules.

Chuncheng Investment, the controlling shareholder of the Company, holds 35% equity interest in Jillin Province New Model Pipes Co., Ltd. The Company (for itself and on behalf of its subsidiaries) and Jillin Province New Model Pipes Co., Ltd. entered into the Pipes Supply Agreement on 29 March 2021 for a term from 1 January 2021 to 31 December 2023, pursuant to which Jillin Province New Model Pipes Co., Ltd. shall supply pipes for heating supply to the Group in accordance with the requirements prescribed by the Group. Separate contracts would be entered into with the Group in respect of the Group’s orders for pipes.

For the year ended 31 December 2022, the annual cap for total fees paid by the Group to Jillin Province New Model Pipes Co., Ltd. in respect of the transactions contemplated under the Pipes Supply Agreement is RMB30.18 million. The actual transaction amount for the period from 1 January 2022 to 31 December 2022 is approximately RMB12.98 million.

### Heat Supply Framework Agreement (Datang JV)

Chuncheng Investment, the controlling shareholder and a connected person of the Company, holds 35% equity interests in Datang JV. The Company (for itself and on behalf of its subsidiaries) and Datang JV entered into the Heating Supply Framework Agreement on 29 March 2021 for a term from 29 March 2021 to 31 December 2023, pursuant to which Datang JV shall supply heat to the Group in accordance with the requirements prescribed by the Group. Separate contracts will be entered into with the Group in respect of the Group’s orders for heat.

For the year ended 31 December 2022, the annual cap for total fees paid by the Group to Datang JV in respect of the transactions contemplated under the Heating Supply Framework Agreement is RMB30.55 million. The actual transaction amount for the period from 1 January 2022 to 31 December 2022 is approximately RMB14.76 million.

### Biomass Fuel Supply Framework Agreement

The Company (for itself and on behalf of its subsidiaries) and Chuncheng Investment (for itself and on behalf of its subsidiaries other than the Group), the controlling shareholder and a connected person of the Company, entered into the Biomass Fuel Supply Framework Agreement on 29 March 2021 for a term from 1 January 2021 to 31 December 2023, pursuant to which the Group shall supply biomass fuel for heat generation to Chuncheng Investment (our controlling shareholder) in accordance with the requirements prescribed by Chuncheng Investment (our controlling shareholder) and the Group’s regulations. Chuncheng Investment (our controlling shareholder) would enter into separate contracts with the Group in respect of the orders for biomass fuel of Chuncheng Investment (our controlling shareholder).

For the year ended 31 December 2022, the annual cap for total fees paid by the Group to Chuncheng Investment (our controlling shareholder) in respect of the transactions contemplated under the Biomass Fuel Supply Framework Agreement is RMB7.08 million. The actual transaction amount for the period from 1 January 2022 to 31 December 2022 is approximately RMB nil.



# WORK REPORT OF THE DIRECTORS

## **Construction Framework Agreement**

The Company (for itself and on behalf of its subsidiaries) and Chun Cheng Investment, the controlling shareholder and a connected person of the Company, entered into the Construction Framework Agreement on 29 March 2021 for a term from 1 January 2021 to 31 December 2023, pursuant to which the Group shall provide construction, maintenance and design services to Chun Cheng Investment (our controlling shareholder) in accordance with the requirements prescribed by Chun Cheng Investment (our controlling shareholder) and the Group's regulations. Chun Cheng Investment (our controlling shareholder) will enter into separate contracts with the Group in respect of each project.

For the year ended 31 December 2022, the annual cap for total fees received by the Group from Chun Cheng Investment (our controlling shareholder) in respect of the transactions contemplated under the Construction Framework Agreement is RMB50.86 million. The actual transaction amount for the period from 1 January 2022 to 31 December 2022 is approximately RMB18.43 million.

## **Heat Procurement Framework Agreement (Yatai Heating)**

Yatai Heating, the wholly owned subsidiary of the Company, has entered into the Heat Procurement Framework Agreement with Chun Cheng Investment, the controlling shareholder and a connected person of the Company, on 29 October 2020 for a term from 1 January 2021 to 31 December 2023, pursuant to which Yatai Heating has agreed to procure heat from Chun Cheng Investment to continue the supply of heat to its existing customers in its ordinary and usual course of business. Separate contracts would be entered into between relevant entities of both parties to set out the specific terms and conditions pursuant to the principles stipulated in the Heat Procurement Framework Agreement.

For the year ended 31 December 2022, the annual cap for total fees paid by the Yatai Heating to Chun Cheng Investment in respect of the transactions contemplated under the Heat Procurement Framework Agreement is RMB77.91 million. The actual transaction amount for the period from 1 January 2022 to 31 December 2022 is approximately RMB52.62 million.

## **Heat Supply Framework Agreement (Supply Heat to Chun Cheng Investment)**

The Company (for itself and on behalf of its subsidiaries) and Chun Cheng Investment (for itself and on behalf of its subsidiaries other than the Group), the controlling shareholder and a connected person of the Company, entered into the 2021-2023 Heat Supply Framework Agreement on 15 September 2021 for a term from 15 September 2021 to 31 December 2023 (both days inclusive), pursuant to which the Group shall supply heat to Chun Cheng Investment (our controlling shareholder) for resale to end-users in accordance with the requirements prescribed by Chun Cheng Investment. The Group would enter into separate contracts with the Chun Cheng Investment (our controlling shareholder) in respect of the orders for heat procurement of Chun Cheng Investment (our controlling shareholder).

For the year ended 31 December 2022, the annual cap for total fees received by the Group from Chun Cheng Investment (our controlling shareholder) in respect of the transactions contemplated under the Heat Supply Framework Agreement is RMB24.60 million. The actual transaction amount for the period from 1 January 2022 to 31 December 2022 is RMB nil.

## **Heat Procurement Framework Agreement (Procurement of Heat from Chun Cheng Investment)**

The Company (for itself and on behalf of its subsidiaries other than Yatai Heating) and Chun Cheng Investment (for itself and on behalf of its subsidiaries other than the Group), the controlling shareholder and a connected person of the Company, entered into the 2021-2023 Heat Procurement Framework Agreement on 1 November 2021 for a term from 1 November 2021 to 31 December 2023 (both days inclusive), pursuant to which the Group (other than Yatai Heating) shall procure heat from Chun Cheng Investment (our controlling shareholder) in accordance with the requirements prescribed by the Group (other than Yatai Heating). The Group (other than Yatai Heating) would enter into separate contracts with the Chun Cheng Investment (our controlling shareholder) in respect of the orders for heat procurement of the Group (other than Yatai Heating).



# WORK REPORT OF THE DIRECTORS

For the year ended 31 December 2022, the annual cap for total fees paid by the Group to Chuncheng Investment in respect of the transactions contemplated under the Heat Procurement Framework Agreement is RMB93.12 million. The actual transaction amount for the period from 1 January 2022 to 31 December 2022 is approximately RMB64.70 million.

## Entrusted Management Framework Agreement

The Company and Chuncheng Investment, the controlling shareholder and a connected person of the Company, entered into the Entrusted Management Framework Agreement on 18 November 2021 for a term from 18 November 2021 to 31 December 2023 (both days inclusive), (the “**Entrusted Management Period**”) pursuant to which Chuncheng Investment agrees to entrust the Company with the right to operate and manage the heat supply business of 12 PRC established companies which are directly or indirectly wholly-owned by Chuncheng Investment (or its subsidiaries) during the Entrusted Management Period.

For the year ended 31 December 2022, the annual cap for total fees received by the Group from Chuncheng Investment in respect of the transactions contemplated under the Entrusted Management Framework Agreement is RMB4.67 million. The actual transaction amount for the period from 1 January 2022 to 31 December 2022 is approximately RMB4.27 million.

## RELATED PARTY TRANSACTIONS

Save as disclosed above, there are no other related party transactions in Note XI(IV) to the Financial Statements of this annual report which constituted connected transactions or continuing connected transactions of the Group that were required to be disclosed pursuant to Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under the Listing Rules.

## Review by and confirmation of independent non-executive Directors of the Company

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions, and confirmed that such transactions were:

- (1) carried out in the ordinary course of business of the Group;
- (2) made on normal or better commercial terms; and
- (3) carried out according to the terms in the relevant transaction agreements, which are fair and reasonable, and in the interests of the Company’s Shareholders as a whole.

## Auditor’s Confirmation

The auditors of the Company have performed the relevant assurance procedures regarding the above continuing connected transactions, and confirmed by way of a letter to the Board of Directors that for the year ended 31 December 2022 that these transactions:

- (1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company’s Board of Directors;
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and



# WORK REPORT OF THE DIRECTORS

(4) with respect to the aggregate amount of each of the continuing connected transactions set out above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value as set by the Company.

## COMPLIANCE WITH THE NON-COMPETITION DEED

The Company entered into a non-competition deed with the Company's controlling shareholder, Chun Cheng Investment, on 17 September 2019 in favor of the Company, pursuant to which the controlling shareholder agrees to (i) save and except for "the Three Supplies and Property Management Projects", Excluded Heat Supply in the PRC and Ancillary Businesses (each as defined in the Company's prospectus dated 27 September 2019), it will not engage in any business that competes or is likely to compete, directly or indirectly, with our business within or outside PRC, and will procure its subsidiaries (excluding the Group) not to engage in any business that competes or is likely to compete, directly or indirectly, with our business, and (ii) it will inform us of any new business opportunities which compete or are likely to compete and use its best efforts to procure such opportunities be made available to us.

During the year, the Company's independent non-executive Directors have reviewed the implementation of the non-competition deed and confirmed that the controlling shareholder has fully observed the non-competition deed without any case of violation.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the total purchases from the five largest suppliers of the Company accounted for 74.58% of the total purchases during the year. The purchase from the largest supplier accounted for 27.06% of the total purchases during the year.

For the year ended 31 December 2022, the total sales to the five largest customers of the Company accounted for 6.20% of the total sales during the year. The sales to the largest customer accounted for 2.03% of the total sales during the year.

During the Reporting Period, to the knowledge of the Directors, none of the Directors, their close associates, or Shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had interests in the five largest suppliers or customers of the Company during the year.

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and complies with code provisions as set out in the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Part 2 of Appendix 14 to the Listing Rules throughout the Reporting Period. Please refer to the section "Corporate Governance Report" in this Annual Report for details.

## RELATIONSHIP WITH STAKEHOLDERS

The Company recognizes that our employees, customers and business associates are keys to our sustainability journey. The Company strives to achieve corporate sustainability through engaging its employees, providing quality services for its customers, collaborating with business partners and supporting its community.



# WORK REPORT OF THE DIRECTORS

The Company places significant emphasis on human resources. The Company provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. The Company administers its employees' health and safety management system and ensures the adoption of the principles across the Group. The Company provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organizations.

The Company values the feedback from customers, so it investigates and understands their opinions by daily communication and other means. The Company has also formulated the measures for the administration of user service. The Company treats providing customer service as an opportunity to improve our relationship with the customers, addressing customers' concerns in a timely manner and in accordance with international standards. The Company proactively collaborates with its business partners to deliver quality sustainable services.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a public float of no less than 25% of its issued shares as at the date of this annual report, which was in line with the requirement under the Listing Rules.

## SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2022, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's 2022 annual results and the Financial Statements for the year ended 31 December 2022 prepared in accordance with the ASBEs.

## AUDITOR

On 22 December 2020, the Board proposed to appoint Da Hua Certified Public Accountants (Special General Partnership) ("Da Hua") as the auditor of the Company for the year ended 31 December 2020 to fill the vacancy arising from Ernst & Young's retirement, which was approved by the Shareholders at the extraordinary general meeting held on 24 February 2021.

The Company has appointed Da Hua as the independent auditor of the Company for the year ended 31 December 2022. In view that Da Hua is familiar with the environment where the Company operates, is concerned with the Company's internal control systems and implementation thereof, has been fully conscious of different risks and is highly independent, the Company will propose a resolution for consideration and approval by the Shareholders at the forthcoming annual general meeting to re-appoint Da Hua as the auditor of the Company for the year 2023.





# WORK REPORT OF THE DIRECTORS

## RESTATED FINANCIAL INFORMATION

Reference is made to (1) the proposed public offering of up to 155,566,600 A shares of the Company (the “**A Share Offering**”) and the proposed listing of the A Shares on the Shenzhen Stock Exchange (the “**Listing of A Share**”); (2) the circular of the Company dated 25 November 2020 in relation to, among other things, the acquisition of 100% equity interest in Changchun Yatai Heating Co., Ltd.\* (長春亞泰熱力有限責任公司) (“**Yatai Heating**”); (3) the Company’s announcement dated 14 April 2022 in relation to the restated financial information (the “**Announcement of Restated Financial Information**”); (4) the Company’s 2021 annual report published on 14 April 2022 (the “**2021 Annual Report**”); (5) the Company’s interim report for the six months ended 30 June 2022 (the “**2022 Interim Report**”); and (6) the Company’s announcement dated 30 November 2022 in relation to the adjustment to the financial information (the “**Adjustment Announcement**”).

In accordance with the relevant PRC regulations and requirements, the Company has continued to update the filings and information relating to the application for A Share Offering and made certain adjustments to the financial information disclosed in the Announcement of Restated Financial Information, the 2021 Annual Report and the 2022 Interim Report.

Following the adjustments set out in the Adjustment Announcement, the Company’s financial information for the relevant period has been restated. For details of the restated financial information, please refer to the Adjustment Announcement.

The financial information set out in this Annual Report for the relevant reporting periods are the restated financial data unless otherwise stated.

## FINANCIAL SUMMARY

Summary of results of operation and the assets and liabilities of the Group for the last five financial years are

set out in “Financial Summary” section on page 4 of this Annual Report. The financial summary does not constitute part of the audited consolidated financial statements of the Group.

## SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

With reference to the announcement of the Company dated 13 March 2023, the Company submitted the application materials, including the A Share prospectus of the Company (the “**A Share Prospectus**”) to the Shenzhen Stock Exchange for the A Share Offering and on 3 March 2023, the Shenzhen Stock Exchange has accepted the application materials. According to the legal requirements of the People’s Republic of China, a copy of the A Share Prospectus has been made available on the website of the Shenzhen Stock Exchange at listing.szse.cn for preliminary publication. The A Share Prospectus is not, and is not intended to be, an offer of securities of the Company for sale in Hong Kong. The A Share Prospectus has not been and will not be registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

Mr. Liu Changchun resigned as a chairman of the Board and non-executive Director with effect from 6 March 2023. The Company convened an extraordinary general meeting in relation to appoint Mr. Sun Huiyong as a non-executive Director and chairman of the Board. As majority votes were cast in favour of the resolution, Mr. Sun Huiyong was appointed as a non-executive Director and chairman of the Board with effect from 29 March 2023.

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

Jilin, the PRC  
31 March 2023



# WORK REPORT OF THE SUPERVISORY COMMITTEE

In 2022, all members in the Supervisory Committee, in strict compliance with the Company Law of the PRC and other laws, regulations, rules and directives and the relevant provisions of the Articles of Association, the Rules of Procedure of the Supervisory Committee and the Listing Rules, had been performing its supervisory duties on the Directors and senior management's fulfilling of their respective responsibilities in the Company, aiming at guarding the long-term benefits of the Company and the interests of all of our Shareholders. We hereby report the main works we have done during the Reporting Period as follows:

## I. MEETINGS OF THE COMMITTEE OF SUPERVISORS

The Supervisory Committee held four meetings in 2022 to consider, among others, the connected transactions in 2021 and the implementation of regulations on connected transaction management; the audited consolidated financial statements and the annual results announcement and annual report for 2021, and the interim consolidated financial statements, interim results announcement and interim report for 2022; to consider the reviewed report for the first quarter and the third quarter of 2022; to consider the financial final report of the Company for 2021 and its financial budget report for 2022; to consider the proposal on profit distribution of the Company and the proposal on self-evaluation of internal control of the Company.

## II. PRESENT AT/ATTEND MAJOR MEETINGS

In 2022, the Supervisory Committee was present at three general meetings and attended nine Board Meetings. By attending those meetings, the Supervisors not only understood the operation and management of the Company, but also actively participated in the review and discussion of proposals to provide opinions and suggestions, and effectively supervised procedures for convening these meetings, and the discussion of subjects at the meetings.

## III. ROUTINE EXAMINATION AND RESEARCH

In 2022, the Supervisory Committee followed closely on the operations of the Company to ensure the internal operations of the Company is always in compliance with the related systems and regulations of the Listing Rules.



# WORK REPORT OF THE SUPERVISORY COMMITTEE

## IV. INDEPENDENT OPINION AND SPECIAL EXPLANATION

The Supervisory Committee has mainly conducted the following works:

1. By supervising duty performance of Directors and senior management of the Company and the legality of the operation of the Company, the Supervisory Committee was of the view that the Company was able to make decisions according to the law and in strict compliance with requirements such as the Company Law of the PRC, the Articles of Association and the major decision making processes for its operation is legal and valid. The Company further completed and optimized internal management system and internal control mechanisms including the Board diversity policy, Administrative Measures on Connected Transactions, Administrative Measures for Inside Information and Whistleblowing procedures. The Company disclosed important information on the Company in a timely manner according to securities regulatory and management requirements so that the information was disclosed in a regulated manner, and the securities trading system for the informed parties of insider information was conducted well; the Company also adopted Appendix 10 to the Listing Rules headed "Model Code for Securities Transactions by Directors of Listed Issuers" as its model code for securities transactions by Directors, Supervisors and personnel in possession of

insider information of the Company. Directors and senior management of the Company have all performed their duties in accordance with related laws and regulations, the Articles of Association and resolutions of the general meetings and meetings of directors and devoted to their duties while forging ahead. Besides, no actions which violated laws and regulations, the Articles of Association, or harmed the interests of the Company or Shareholders have ever been found during the execution of their duties for the Company.

2. By communicating with the accounting firm in charge of providing audit and review service to the Company, the Supervisory Committee reviewed Financial Statements of the Company, considered periodical reports of the Company and the audit report submitted by accounting firm, and carried out effective supervision and inspection on the financial management and operation of the Company. The Supervisory Committee was of the view that during 2022, the Company had sound financial systems and regulated management. The Company's 2022 Financial Statements was audited by Da Hua who have issued the standard audit report with an unqualified opinion that the 2022 Financial Statements prepared by the Company fairly reflected the financial condition and operating results of the Company.



# WORK REPORT OF THE SUPERVISORY COMMITTEE

3. The Supervisory Committee reviewed the status of connected transactions among the Company and its controlling shareholder. It was of the view that those connected transactions were conducted in a fair and just way, at reasonable price, and without prejudice to the interests of the Company and other shareholders. The Directors, General Manager and other senior management members of the Company have exercised the rights granted by the Shareholders and discharged their obligations in good faith and with due diligence. So far, the Supervisory Committee is not aware of any abuse of authority which impairs the interests of the shareholders and the legitimate rights of the employees of the Company.
4. The Supervisory Committee thoroughly reviewed the internal control system of the Company and regarded the existing system as complete, reasonable, effective, had no major flaws and complied with the requirements of applicable laws, regulations and rules, and can satisfy all the requirements of effective risk control in all material aspects.

In 2023, the Supervisory Committee will fully perform its supervisory duties and strictly comply with laws such as the Company Law of the PRC, regulations, rules and regulations and normative documents, Articles of Association, Rules of Procedure for the Board of Supervisors and the relevant requirements under the Listing Rules, uphold the principle of integrity and effectively supervise the Company, and carry out effective supervision of the Directors and the senior management of the Company. Specifically, the Supervisors will closely monitor the production, operation and management of the Company, pay attention to major initiatives of the Company with an aim to boost the economic benefits of the Company and faithfully safeguard the interests of the all Shareholders and the Company.

**Mr. Qiu Jianhua**

*Chairman of the Supervisory Committee*

Jilin, the PRC

31 March 2023

## V. TRAINING OF SUPERVISORS

To acknowledge more information related to the Company's operation and business as well as perform their duties as supervisors better, they have attended six training sessions, covering the compliance operations and information disclosure of listed companies, insider dealing and risk prevention, basic principles of internal control measures and connected transactions. They were also updated on issues relevant to their role as supervisors by attending seminars and conferences and/or reading materials on financial, commercial, economic, legal, regulatory and business matters.



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standard is essential for the Company to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has applied the principles as set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”).

In the opinion of the Directors, during the year ended 31 December 2022 and up to the date of this report, save for the deviation set out in the paragraph headed “Chairman of the Board and General Manager” in this report, the Company has complied with all the code provisions as set out in the Corporate Governance Code.

## CORPORATE CULTURE

The Company continues to focus on a culture of corporate compliance and has developed an anti-corruption policy (the “**Anti-Corruption Policy**”) to ensure the Company’s compliance with the Listing Rules and regulatory requirements through continuous monitoring by the Board.

In addition, the Board will: (i) review the Company’s decisions and actions to assess whether they are consistent with the desired corporate culture; (ii) interact with employees and stakeholders; and (iii) assess whether there are issues that need attention based on complaints received, disclosures by whistleblower, employee turnover and violations on code of conduct/regulations.

Corporate culture is critical to achieving the Company’s mission and the Board will maintain and ensure that the Company’s objectives, values and strategies are highly aligned with the corporate culture.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by the Directors, Supervisors and relevant employees of the Company. Upon making specific enquiries to all of the Directors, Supervisors and relevant employees of the Company, all Directors, Supervisors and relevant employees confirmed that during the year ended 31 December 2022, each of the Directors, Supervisors, and relevant employees has strictly complied with the required standards set out in the Model Code.

The Company is not aware of any incident of non-compliance with the Model Code committed by any Directors, Supervisors or relevant employees during the year ended 31 December 2022.

## BOARD OF DIRECTORS

The Board oversees the Group’s businesses, strategic decisions and performance and should take decisions objectively in the interests of the Company. The Board shall regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them. The Board currently consists of eight members, comprising four executive Directors, a non-executive Director and three independent non-executive Directors. The Board of the Company consists of the following Directors:

### Executive Directors

Mr. YANG Zhongshi (楊忠實) (*Vice Chairman of the Board*)  
Mr. SHI Mingjun (史明俊)  
Mr. XU Chungang (徐純剛)  
Mr. LI Yeji (李業績)



# CORPORATE GOVERNANCE REPORT

## Non-executive Director

Mr. SUN Huiyong (孫會勇) (*Chairman of the Board*)  
(appointed on 29 March 2023)  
Mr. LIU Changchun (劉長春)  
(*former Chairman of the Board*)  
(resigned on 6 March 2023)

## Independent Non-executive Directors

Mr. WANG Yuguo (王玉國)  
Mr. FU Yachen (付亞辰)  
Mr. POON Pok Man (潘博文)

Biographical information of the Directors are set out in “Directors, Supervisors and Senior Management” section on pages 47 to 54 of this Annual Report. There is no financial, business, family or other material/relevant relationships between members of the Board.

## CHAIRMAN OF THE BOARD AND GENERAL MANAGER

The positions of the chairman of the Board and the general manager of the Company are held separately. Prior to his resignation in 6 March 2023, Mr. LIU Changchun was a non-executive director and the Chairman of the Board. Mr. SUN Huiyong was appointed as Chairman of the Board with effect from 29 March 2023 to fill the vacancy following the resignation of Mr. LIU Changchun. Mr. YANG Zhongshi is our general manager. Accordingly, during the period between 6 March 2023 and 28 March 2023, the role of the Chairman of the Board of the Company became vacant which deviated from Code Provision C.2.1 of the Corporate Governance Code. The role of chairman of the Board of the Company is mainly responsible for the formulation of our corporate strategies and directing the activities of our Board, while the general manager, Mr. YANG, is mainly responsible for the overall management of business and operations of our Group including heat supply and heat supply related services, with specific focus on human resources department, internal audit department, general engineer office and resources management department.

The division of responsibilities between the chairman of the Board and the general manager is defined and established in writing.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended 31 December 2022 and up to the date of this report, the Board has been in compliance with relevant requirements of the Listing Rules, and has appointed at least three independent non-executive Directors (representing at least one-third of our Board), with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Directors has received written annual confirmation in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent, and have been in office for no more than 6 years.

## RE-ELECTION OF NON-EXECUTIVE DIRECTORS AND DIRECTORS

Code Provision B.2.2 of the Corporate Governance Code stipulates that every Director (including those appointed for a specific term) shall retire by rotation at least once every three years.

The Company’s Articles of Association provide for the appointment of new Directors by the Board to fill casual vacancies on the Board, and such appointed Director shall be subject to election by shareholders at the first general meeting following his or her acceptance of appointment. Any person appointed by the Board as a Director to fill a casual vacancy on the Board or as additional director of the Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election.

Each of the Directors of the Company has been appointed for a specific term of service of three years or from its appointment until the expiration of the current session of office of the Board (not exceeding 3 years) and is renewable upon re-election by Shareholders.



# CORPORATE GOVERNANCE REPORT

## RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the joint company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, the structure, size, composition and diversity of membership of the Board, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

For the year ended 31 December 2022, the Board held nine meetings to deal with various important matters of the Company.

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each of the Directors keeps abreast of his responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of a Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.



# CORPORATE GOVERNANCE REPORT

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company will arrange internally-facilitated briefings for Directors and issue reading material on relevant topics to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year 2022, the Company provided six trainings for all Directors. Such training sessions cover a wide range of relevant topics including those topics on finance, banking, management such as interpretation of legal and regulatory updates, inside information, risk prevention, governance practices and information disclosure of listed companies, corporation internal control and key financial issues and other related topics. In addition, relevant reading materials including legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying. Each of the Directors has completed the aforementioned trainings.

## BOARD COMMITTEES

The Board has established four committees, namely, the audit committee, remuneration committee, nomination committee and strategy committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which state clearly their authority and duties. The terms of reference of all of the committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Members of each Board committee comprise independent non-executive Directors and the list of the chairperson and members of each Board committee are set out under "Corporate Information" on pages 257 to 258 of this Annual Report.

## AUDIT COMMITTEE

Following the resignation of Mr. LIU Changchun as a non-executive Director, between 6 March 2023 and 28 March 2023, the audit committee only consisted of two members which fall short of the requirement prescribed under the Listing Rules and the terms of reference of the audit committee. On 29 March 2023, Mr. SUN Huiyong was appointed as a member of the audit committee and accordingly, the Company fulfils the relevant requirements.

As at the date of this report, the audit committee currently comprises three non-executive Directors, namely Mr. POON Pok Man (chairperson and independent non-executive Director), Mr. SUN Huiyong (non-executive Director) and Mr. WANG Yuguo (independent non-executive Director), with the majority being independent non-executive Directors (including one independent non-executive Director with accounting expertise). None of the members of the audit committee is a former partner of the Company's existing auditors. The primary responsibilities of the audit committee include but not limited to supervising the Company's internal control, risk management, financial information disclosure and financial reporting matters. The terms of reference of the audit committee is available on the Stock Exchange's website and the Company's website. For the work and reports of the audit committee on the risk management and internal control of the Company, please see the paragraph headed "Risk Management and Internal Control".





# CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2022, the audit committee held four meetings and passed a total of 19 resolutions and made recommendations to the Board on such matters. The meetings focused on overseeing and reviewing the effectiveness of the Company's financial controls, internal controls and risk management, reviewing the annual connected transactions and new connected transactions, and reviewing the Company's 2021 annual financial final report and 2022 financial budget report, and reviewing the Company's 2021 annual results, 2022 interim results, financial statements and report for the first and the third quarter of 2022, the financial statements, as well as the appointment of the Company's external auditor for the year 2022.

## REMUNERATION COMMITTEE

As at the date of this report, the remuneration committee currently comprises three members, namely Mr. FU Yachen (chairperson and independent non-executive Director), Mr. XU Chungang (executive Director) and Mr. POON Pok Man (independent non-executive Director), with the majority being independent non-executive Directors. The primary responsibilities of the remuneration committee include but not limited to making recommendations to the Board of Directors on the Company's policy and structure for the remuneration of all the Company's Directors and senior management and on employee benefit arrangements. The terms of reference of the remuneration committee is available on the Stock Exchange's website and the Company's website.

During the year ended 31 December 2022, the remuneration committee held one meeting and made recommendations to the Board on such matters. The meeting focused on reviewing the remuneration of the Directors, Supervisors and senior management and the relevant remuneration policy and structure.

## NOMINATION COMMITTEE

As at the date of this report, the nomination committee currently comprises three members, namely Mr. WANG Yuguo (chairperson and independent non-executive Director), Mr. YANG Zhongshi (executive Director) and Mr. FU Yachen (independent non-executive Director), with the majority being independent non-executive Directors. The primary responsibilities of the nomination committee include but not limited to making recommendations to the Board of Directors on the appointment and removal of Company's Directors and senior management, reviewing the Nomination Policy ("**Nomination Policy**") and Board Diversity Policy ("**Board Diversity Policy**") and ensuring the Board has continuously carried out their duty of corporate management. The terms of reference of the nomination committee is available on the Stock Exchange's website and the Company's website.

During the year ended 31 December 2022, the nomination committee held two meetings and made recommendations to the Board on such matters. The meetings focused on overseeing and reviewing the structure, size, composition and diversity of the Board of the Company and re-examining the independence of the independent non-executive Directors. The leadership and contribution of the Directors were also reviewed, as well as the implementation of corporate governance functions and policies of the Company and also nominated candidates to the Board for the appointment of vice general manager.

The nomination committee considered an appropriate balance of diversity of the Board is maintained.



# CORPORATE GOVERNANCE REPORT

## STRATEGY COMMITTEE

As at the date of this report, the strategy committee currently comprises three members, namely Mr. SUN Huiyong (chairperson and non-executive Director), Mr. WANG Yuguo (independent non-executive Director) and Mr. SHI Mingjun (executive Director). The primary responsibility of the strategy committee is to assist the Board of Directors in formulating and evaluating our mid-to long-term development strategy of the Company and its implementation plan, and to make recommendations to the Board on major corporate affairs, major investment and financing proposals. The terms of reference of the strategy committee is available on the Stock Exchange's website and the Company's website.

During the year ended 31 December 2022, the strategy committee held one meeting and made recommendations to the Board on such matters. The meeting mainly focused on reviewing 2021 Annual Environmental, Social and Governance Report .

## BOARD DIVERSITY AND NOMINATION POLICY

In order to enhance the effectiveness of our Board and to maintain high standards of corporate governance, we have adopted the Board Diversity Policy which sets out the approach to achieve and maintain diversity on our Board. The Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity and length of service.

Our Directors have a balanced mix of knowledge and skills, including overall management, strategies and planning, heating engineering, construction projects management, legal, finance and business administration. We have three independent non-executive Directors with different industry backgrounds, representing no less than one third of the members of our Board. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Board Diversity Policy. Nevertheless, in recognizing the particular importance of gender diversity, the Board of the Company has initiated a plan to cultivate female director for the Board's consideration on appointment as director of our Company.

The nomination committee of our Board is responsible for reviewing our Board Diversity Policy from time to time to ensure its continued effectiveness. The effective implementation of the Board Diversity Policy requires that our Shareholders are able to judge for themselves whether the Board as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support. To this end, our Shareholders will be provided with detailed information of each candidate for appointment or re-election to the Board through announcements and circulars published prior to general meetings of our Company. Further, our implementation of the Board Diversity Policy will be disclosed in our annual report.

Going forward, to groom potential successors to the Board within a two-year period (no later than 31 December 2024) to ensure gender diversity on the Board , our Company will (i) consider the possibility of nominating at least one female senior management who has the necessary skills and experience to the Board; (ii) ensure that there is gender diversity when recruiting staff at mid to senior level; and (iii) engage more resources in training female staff with the aim of promoting them to the senior management or directorship of our Company.



# CORPORATE GOVERNANCE REPORT

The Company has formulated strict selection criteria in its director nomination policy. The nomination committee makes recommendations on the appointment of Board candidates or the re-appointment of existing members of the Board. The factors considered by the nomination committee when evaluating candidates include (but are not limited to) the following: (i) integrity; (ii) achievements, experience and reputation in heating business and other related industries; (iii) commitment to invest sufficient time, represent the interests of the sector and pay attention to the Company's business; (iv) diversity in all aspects of the Board including, but not limited to, gender, age, cultural/educational and professional background, skills, knowledge and experience; (v) the ability to assist and support management and make a significant contribution to the Company's success; (vi) compliance with the independence requirements for the appointment of independent non-executive directors in accordance with Rule 3.13 and Rules B.3.4 of Appendix 14 to the Listing Rules; and (vii) any other relevant factors as determined from time to time by the nomination committee or the Board.

The appointment of any candidate for the Board of Directors or the re-appointment of any existing member of the Board of Directors must be conducted in accordance with the Company's articles of association and other applicable rules and regulations.

The Company has also established strict nomination procedures, including: (i) the company secretary must convene a meeting and invite members of the Board of Directors to nominate candidates (if any) for consideration by the nomination committee. The nomination committee may also search extensively in the talent market and

nominate candidates for consideration. Each candidate must provide a personal resume to the nomination committee; (ii) for the appointment of any candidate for the Board of Directors, the nomination committee must conduct adequate due diligence and make recommendations for consideration and approval by the Board; (iii) for the re-appointment of any existing members of the Board, the nomination committee must submit suggestions to the Board for consideration and make recommendations, so that candidates can be re-elected at general meetings; (iv) the procedures for shareholders to nominate any candidate for director election will be implemented in accordance with the "Procedures for Shareholders to Nominate Candidates for Election of Directors at General Meetings of the Company and Procedures for Dismissal of Directors by Shareholders"; and (v) the Board of Directors has the final decision on all matters concerning the election at the general meetings.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the Corporate Governance Code.

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with laws and regulations, the compliance with the Model Code and Employees Written Guidelines, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report.



# CORPORATE GOVERNANCE REPORT

## ATTENDANCE RECORDS OF DIRECTORS AND MEMBERS OF BOARD COMMITTEE

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2022 is set out in the table below:

Name of Director	Attendance/number of meetings during the term of office					Shareholders'
	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	General Meeting
Mr. LIU Changchun (Chairman)	9/9	4/4			1/1	3/3
Mr. YANG Zhongshi	9/9			2/2		3/3
Mr. SHI Mingjun	9/9				1/1	3/3
Mr. XU Chungang	9/9		1/1			3/3
Mr. LI Yeji	9/9					3/3
Mr. WANG Yuguo	9/9	4/4		2/2	1/1	3/3
Mr. FU Yachen	9/9		1/1	2/2		3/3
Mr. POON Pok Man	9/9	4/4	1/1			3/3

Apart from regular Board meetings, the Chairperson also held one meeting with the independent non-executive Directors without the presence of executive Directors during the Reporting Period, mainly discussing about consideration of the final dividend distribution plan for the year 2021, consideration of the report of independent directors for the year 2021, and consideration of the connected transactions for the year 2021 and implementation of requirements on connected transaction management. The Company considers that such meeting is one of the mechanism to ensure independent views and recommendation are available to the Board. The Board has reviewed the effectiveness of such mechanism annually.

Mr. LIU Changchun has ceased to be the Chairman of the Board, a member of the Audit Committee and a member of the Strategy Committee on 6 March 2023. Mr. SUN Huiyong was appointed as Chairman of the Board, a member of the Audit Committee and a member of the Strategy Committee on 29 March 2023.

## RISK MANAGEMENT AND INTERNAL CONTROL

To comply with the requirements of risks management for listed companies, establish and improve the risk control and management system, process and warning mechanism as necessary for the operation of listed companies to ensure effective identification of risks, the Company further organized and conducted internal control and risks management, including analyzing the current status of the Company, analyzing and optimizing the difference between the actual and planned internal control, compiling an internal control manual, conducting internal control research, establishing risks management system, identifying and collecting risks facing the Company and formulating risk management system for the year. During the course, the integrity, reasonableness, and the implementation of the internal control measures by various departments of the Company have been organized and reviewed to effectively control the possibility of the occurrence of such risks. The Company's risk management and control capabilities are enhanced as a whole so as to continuously enhance its core competitiveness.



# CORPORATE GOVERNANCE REPORT

The Board fully understands its responsibilities for risk management and internal control systems, and for reviewing their effectiveness. The systems aim to manage rather than eliminate the risks of the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The major internal control policies established by the Company include internal control evaluation manual, risk management system, accounting management system, financial management system and legal affairs management system. The management has confirmed to the Board and the audit committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022.

The Board reviews the Company's risk management and internal control systems annually. The Board, as supported by the audit committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources as well as those relating to the Group's performance and reporting on environmental, social and governance related matters. Arrangements/Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its internal report system for significant information, which provides a general guide to the Company's Directors, executive officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

## ANTI-CORRUPTION POLICY

The Company has developed and adopted an anti-corruption policy and is committed to the highest standards of integrity and ethical conduct in its operations. The Anti-Corruption Policy is a guideline for our employees and business associates (e.g., customers and suppliers) to follow and to combat corruption.

Any employee of the Company and business counterparts (such as customers and suppliers) may, in confidence and anonymously, raise any concerns about possible improprieties regarding the Company with the Company's Audit Committee.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022. The Directors are not aware of any material uncertainties relating to events or conditions that may significantly affect the Company's ability to operate as a going concern. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in "Independent Auditor's Report" section on pages 55 to 59 of this report.

Where appropriate, a statement will be submitted by the audit committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the audit committee.

## AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's external auditor by the Company in respect of audit services and non-audit services for the year ended 31 December 2022 amounted to RMB1.75 million and RMB nil (2021: RMB1.9 million and nil), respectively.



# CORPORATE GOVERNANCE REPORT

## JOINT COMPANY SECRETARIES

Mr. WAN Tao (“**Mr. Wan**”) and Mr. LEE Chung Shing (“**Mr. Lee**”) are the joint company secretaries of our Company. Mr. Wan has extensive experience in board and corporate governance matters while he does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules from the date of the successful listing of the Company on the Stock Exchange on 24 October 2019 (the “**Listing Date**”), and may not be able to discharge the requirements of the Listing Rules on his own. The Company has therefore applied to the Stock Exchange for, and the Stock Exchange has granted waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for a initial term of three years from the Listing Date, on the condition that Mr. Lee acts as Joint Company Secretary and Mr. Wan will be assisted by Mr. LEE, during the such period to discharge his functions as a joint company secretary and acquire the relevant experience as required under Rule 3.28 of the Listing Rules. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants and complies with the relevant requirements under Rule 3.28 and Note 1 to Rule 8.17 of the Listing Rules.

More than three years since the listing date, Mr. Lee has worked closely with Mr. Wan to jointly discharge the duties and responsibilities as company secretary and assisted Mr. Wan to acquire the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Mr. Wan was also assisted by the Hong Kong legal advisers of our Company, on matters concerning our Company’s ongoing compliance with the Listing Rules and the applicable laws and regulations. Mr. Wan applied to the Stock Exchange in October 2022 for his ability to act as a sole company secretary in compliance with the relevant requirements under Rule 3.28 and Note 1 to Rule 8.17 of the Listing Rules, and such application was approved in October 2022. Mr. Wan will continue to attend relevant training to familiarize himself with the Listing Rules and duties required of a company secretary of a PRC issuer listed on the Hong Kong Stock Exchange.

As at the date of this report, both Mr. Wan and Mr. Lee are the joint company secretaries of the Company.

For the year ended 31 December 2022, each of Mr. Wan and Mr. Lee has received no less than 15 hours of relevant professional training on reviewing the requirements under the Listing Rules and other compliance.

## SHAREHOLDERS’ RIGHTS

The Company engages with Shareholders through various communication channels and a shareholders’ communication policy is in place to ensure that Shareholders’ views and concerns are appropriately addressed. The Company reviews the policy regularly to ensure its effectiveness and is of the view that the communication policy in place is effective and adequate.

To safeguard Shareholders’ interests and rights, separate resolution is proposed for each substantially separate issue at Shareholders’ meetings, including the election of individual Directors. All resolutions put forward at Shareholders’ meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each Shareholders’ meeting.

## CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Shareholders holding more than (and inclusive of) 10% of Shares (individually or together with others) of the Company shall be entitled to request for an extraordinary general meeting or class meeting.

Upon signing one or several written requests with the same content and format, and stating the subject of the meeting, the aforesaid Shareholders may request the Board to convene an extraordinary general meeting or class meeting. Shares held by the abovementioned Shareholders shall be calculated as at the date of submitting the written request.



# CORPORATE GOVERNANCE REPORT

## PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

When the Company convenes the general meeting, the Board of Directors, Supervisory Committee and Shareholders holding more than 3% of the shares of the Company separately or jointly are entitled to propose resolutions to the Company. The Shareholders holding more than 3% of the shares of the Company separately or jointly may submit ad-hoc proposals and submit them to the convener in writing ten days before the general meeting is held.

The proposal contents shall fall into the terms of reference of the general meeting. There shall be defined topics and specific matters for resolution. The proposal shall comply with the relevant provisions of the laws, administrative regulations and the Articles of Association.

## PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

## CONTACT DETAILS

Shareholders may send their written enquiries or requests through the following means:

Address: No. 28 Block B, Nanhu Road Community  
No. 998 Nanhu Road  
Nanguan District, Changchun City, Jilin Province  
PRC  
(For the attention of the secretary to the Board)  
Email: cxgc-wt@ccrljt.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full names, contact details and identification in order to facilitate the Company to respond. Shareholders' information may be disclosed as required by law.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through (i) annual general meetings and other general meetings, (ii) the publication of announcements, annual reports, interim reports and/or circulars in accordance with the requirements of the Listing Rules; and (iii) the publication of updates of the Group on the Company's website. The chairman of the Board, non-executive Directors, independent non-executive Directors, and the chairman of all Board committees (or their delegates) will make themselves available at general meetings to meet Shareholders and answer their enquiries.

## THE ARTICLES OF ASSOCIATION

The resolution in relation to the amendments to the Articles of Association of the Company were approved at the 2021 Annual General Meeting of the Company on 20 May 2022, details of which are set out in the circular of the Company dated 19 April 2022. The up-to-date version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### CHAIRMAN OF THE BOARD, NON-EXECUTIVE DIRECTOR SUN HUIYONG

Mr. SUN Huiyong (孫會勇), aged 46, is currently the Chairman of the Board and non-executive Director of the Company. Mr. SUN is mainly responsible for the formulation of corporate strategies the Group and directing the activities of our Board.

Between July 1999 and January 2023, Mr. SUN held various positions in Changchun Rail Transit Company Limited\* (長春市軌道交通有限責任公司) (“**Changchun Rail Transit**”), including the office cadre from July 1999 and February 2003, office secretary from February 2003 to February 2006, deputy office director and office director from February 2006 to April 2012. He was promoted as the assistant to the general manager of Changchun Rail Transit between April 2012 and July 2016 and became the deputy general manager of Changchun Rail Transit between July 2016 and March 2020. Between March 2020 and January 2023, Mr. SUN served as the deputy party secretary and the general manager of Changchun Rail Transit. Mr. SUN gained vast senior management experience for other corporate enterprises. Between August 2017 and February 2020 and between May 2021 to February 2023, Mr. SUN was a director of Changchun Vanke Subway Real Estate Development Co., Ltd.\* (長春萬科地鐵置業發展有限公司). Between May 2021 to February 2023, Mr. SUN served as the chairman of Changchun Wanxiao Property Development Co., Ltd.\* (長春萬曉房地產開發有限公司). He has also been the chairman of Changchun Public Transport TELD Charging Network Operation Co., Ltd.\* (長春公交特來電充電網運營有限公司) between August 2021 to March 2023. In addition, Mr. SUN has been a party secretary (黨委書記) and chairman (董事長) of 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) since January 2023.

Mr. SUN obtained a bachelor degree in computer science and technology from Jilin Institute of Engineering\* (吉林工學院) (now known as Changchun University of Technology (長春工業大學)) in Jilin Province, the PRC in July 1999. In January 2019, Mr. SUN was certified by the Human Resources and Social Security Department of Jilin Province as a senior engineer of electronic information.

### VICE CHAIRMAN, EXECUTIVE DIRECTOR, GENERAL MANAGER YANG ZHONGSHI

Mr. YANG Zhongshi (楊忠實先生), aged 56, joined our Group in April 1998 and is currently the vice chairman of the Board, an executive Director and the general manager of our Company, mainly responsible for overall management of business and operations of our Group including heat supply and heat supply related services, with specific focus on the management on human resources department, internal audit department, office of chief engineer, and resources management department.

Mr. YANG has approximately 32 years of working experience in the heating industry and held various senior management positions within our controlling shareholder, Chuncheng Investment. He was the deputy chief engineer and the head of the technical equipment department of Chuncheng Investment from December 2000 to December 2002 and was promoted to chief engineer since December 2002, mainly responsible for overall technology management. He served as the deputy general manager at Chuncheng Investment from February 2011 to April 2016, mainly responsible for production management, production safety management and end-users service management, and the general manager from April 2016 to May 2018, mainly responsible for overall business management and implementation of policies passed by the board of directors. Mr. YANG was appointed as a director of Chuncheng Investment from August 2017 to October 2019. Since May 2018, he has not participated in the daily operation of Chuncheng Investment and has been mainly





## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

responsible for formulation of corporate strategies. He was a director at Jilin Province Heating Engineering Design and Research Company Limited\* (吉林省熱力工程設計研究有限責任公司) from September 2012 to July 2018, mainly responsible for overall management of business and operations. Mr. YANG served as a director in Jilin Province Xinda Investment Management Co., Ltd. from June 2017 to November 2021 and has served as a director in Yatai Heating since December 2019.

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

### EXECUTIVE DIRECTOR, DEPUTY GENERAL MANAGER SHI MINGJUN

Mr. SHI Mingjun (史明俊先生), aged 54, joined our Group in April 1998 and is currently an executive Director and the deputy general manager of our Company, mainly responsible for the construction and management of the Group's projects as well as mergers and acquisitions and business development.

Mr. SHI has approximately 26 years of working experience in the heating industry. He held various positions within our controlling shareholder, Chun Cheng Investment, and worked successively as manager assistant, deputy manager and manager of the construction development division from June 2000 to August 2009, mainly responsible for construction of thermal power plants network, overall management of business operations and formulation of business strategies. He then worked at Chun Cheng Investment as the general manager assistant from August

2009 to August 2010 and was promoted to the position of deputy general manager from August 2010 to July 2018 mainly responsible for formulation of strategies and development plans of our Group and overall management of business operations. Mr. SHI was appointed as a director of Chun Cheng Investment from November 2014 to January 2018, mainly responsible for overall management of construction projects. He has worked as the deputy general manager of our Company since July 2018. Mr. SHI served in Datang Changre Jilin Heating Company Limited\* (大唐長熱吉林熱力有限公司) as a non-executive director since June 2017; as the chairman (legal person) in Jilin Province Xixing Energy Limited\* (previously known as Changchun FAW Sihuan Kinetic Company Limited\* (長春一汽四環動能有限公司)) from October 2014 to June 2020 and subsequently re-designated as executive director (legal person) from June 2020 to August 2020; as an executive director and general manager in Jilin Province Chun Cheng Biomass Power Co., Ltd\* (吉林省春城生物質能源有限公司) from December 2018 to January 2020; and as a director in Yatai Heating since December 2019.

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

### EXECUTIVE DIRECTOR, DEPUTY GENERAL MANAGER, FINANCIAL CONTROLLER XU CHUNGANG

Mr. XU Chungang (徐純剛先生), aged 49, joined our Group in April 2018 and is currently an executive Director, the deputy general manager and financial controller of our Company, mainly responsible for overall management of business plans, finance and legal matters of our Group.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

### EXECUTIVE DIRECTOR LI YEJI

Mr. LI Yeji (李業績先生), aged 45, joined our Group in September 2001 and is currently an executive Director, and the head of production department, mainly responsible for management on heat supply of our Group.

Mr. LI has approximately 22 years of working experience in the PRC heating industry. He has held various positions within our controlling shareholder, Chun Cheng Investment, and worked successively as the construction manager of the construction development division from September 2001 to May 2002, mainly responsible for coordination of construction projects; the process engineer of the technical department from May 2002 to April 2008, mainly responsible for process management of technical department; the deputy manager of Chaoyang Division One from April 2008 to March 2009 mainly responsible for production management and quality control; the deputy head of production department from March 2009 to March 2010 mainly responsible for operations and end-users services management; the deputy manager of Chaoyang Division Two from March 2010 to April 2012 mainly responsible for production operations, quality control and management of technical equipment; the head of the integrated business planning department from April 2012 to May 2015 mainly responsible for overall management and operations planning; the head of the fuel management division and secretary from May 2015 to May 2017 mainly responsible for overall fuel management; deputy head of the construction management center from May 2017 to July 2017 mainly responsible for construction project management; and manager of the construction management center from December 2017 to November 2022 mainly responsible for construction project management. Mr. LI has been an executive Director of the Company since May 2018 and the head of production department of the Company since November 2022. Mr. LI was seconded to Tianjin Jin'an Thermal Power Limited Liability Company\* (天津津安熱電有限責任公司) as deputy general manager from July 2017 to December 2017, mainly responsible for management of technology and production.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

### INDEPENDENT NON-EXECUTIVE DIRECTOR WANG YUGUO

Mr. WANG Yuguo (王玉國先生), aged 53, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on 19 August 2019. He is responsible for overseeing the management of our Group independently.

Mr. WANG has served as the chief of tourist office and head of investment promotion office at the Foreign Economic Agency of Dehui City, Jilin Province\* (吉林省德惠市對外經濟發展局) from March 2003 to February 2006, mainly responsible for management of tourism resources and the introduction of foreign investment, during which he also served as the director of foreign investment division at the Economic Department of Dehui City, Jilin Province\* (吉林省德惠市經濟局) from February 2006 to December 2010, mainly responsible for the introduction of foreign investment, during which he also served as the deputy head of Buhai County (布海鎮), Dehui City (德惠市) from May 2007 to June 2009, mainly responsible for management of human resources and modern agricultural

projects. From December 2010 to December 2012, Mr. Wang was the general manager of Jilin Province Dehui City Investment Development Co., Ltd.\* (吉林省德惠市城市投資發展有限公司), a city project investment company and property developer, mainly responsible for management of the investment projects in Dehui City and the development and construction of real estate and infrastructure. From December 2012 to December 2015, Mr. WANG was the deputy manager of Dehui City Commercial State-Owned Assets Operation Company\* (德惠市商業國有資產經營公司), mainly responsible for introducing foreign investments to Dehui City. From December 2015 to June 2017, Mr. WANG served as the deputy chief at the Economic Department of Dehui City of Jilin Province\* (吉林省德惠市經濟局), mainly responsible for development and management of tourism resources and introduction of foreign investment projects. From June 2017 to April 2018, Mr. WANG was the deputy secretary general of Jilin Province City Heating Association\* (吉林省城鎮供熱協會), mainly responsible for assisting the chief secretary general to manage the association. He has served as the chief secretary general at Jilin Province City Heating Association\* (吉林省城鎮供熱協會) from April 2018 to October 2021, mainly responsible for research and consolidation of heat supply regulations at the state-level and provincial-level and the promotion of heat supply industries. Mr. WANG served as the general manager of Changchun High-Tech Cultural Tourism Development., Ltd.\* (長春高新文化旅遊建設開發有限公司) from October 2021 to January 2023. Mr. WANG has served as the general manager of Changchun Konggang Xiangyue Investment Company Limited\* (長春空港翔悅投資有限公司) since January 2023.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

### INDEPENDENT NON-EXECUTIVE DIRECTOR FU YACHEN

Mr. FU Yachen (付亞辰先生), aged 70, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on 19 August 2019. He is responsible for overseeing the management of our Group independently. Mr. FU has over 36 years of experience teaching in university. He worked as a teacher at Changchun Tax Institute\* (長春稅務學院) (now known as Jilin University of Finance and Economics (吉林財經大學)) from July 1982 to July 2019. He was promoted as the department head of faculty of finance at Jilin University of Finance and Economics (吉林財經大學) from January 1987 to December 2009, mainly responsible for administrative work. From January 2010 to December 2010, Mr. FU was the dean of the finance faculty of Jilin University of Finance and Economics (吉林財經大學) mainly responsible for management and administration. Mr. FU worked as an advisor at Jilin Provincial Government from January 2012 to July 2022, mainly responsible for offering advice and supervising the government. He has been working as an independent director at Bank of Jilin (吉林銀行) from October 2014 to April 2020, mainly responsible for overseeing the management independently. He worked as the independent director of Jilin Huancheng Rural Commercial Bank Co., Ltd. from March 2018 to October 2022.

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

### INDEPENDENT NON-EXECUTIVE DIRECTOR POON POK MAN

Mr. POON Pok Man (潘博文先生), aged 38, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on 19 August 2019. He is responsible for overseeing the management of our Group independently. Mr. POON has over 15 years of professional experience in corporate finance, corporate restructuring, financial reporting and auditing.

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

Mr. POON graduated from the City University of Hong Kong (香港城市大學), with a bachelor's degree in Business Administration (Hons) with a major in accounting in November 2007. He graduated from The Hong Kong Polytechnic University in September 2021 with a master of Corporate Governance. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.



# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## CHAIRMAN OF THE SUPERVISORY COMMITTEE QIU JIANHUA

Mr. QIU Jianhua (仇建華), aged 56, is a Supervisor of our Company. He was appointed as a Supervisor and the chairman of the Supervisory Committee on 28 May 2021. Mr. QIU has served in various positions in Chun Cheng Investment, the controlling shareholder of the Company, including as coordinator of the production planning section from August 1987 to November 1992, section officer of the personnel department from November 1992 to May 1994, deputy chief of the operation department from May 1994 to June 1998, chief of the operation department and manager of the debt collection business from June 1998 to March 2004 and chief of the general operation and planning department from March 2004 to May 2011. He was promoted to the position of assistant general manager of Chun Cheng Investment from May 2011 to December 2014 and has been the deputy general manager of Changchun Heating Group since December 2014, a director of Chun Cheng Investment from October 2019 to September 2022 as well as the financial controller of Chun Cheng Investment since February 2023. He served as the manager of Yatai Heating from December 2019 to December 2020.

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

## SUPERVISOR ZHANG WEI

Ms. ZHANG Wei (張維女士), aged 43, is a Supervisor of our Company. She was appointed as our Supervisor on 30 December 2020. Ms. ZHANG qualified as an attorney-at-law of the PRC in 2016. Ms. ZHANG worked at Jilin Zhengji Law Firm (吉林正基律師事務所) from January 2008 to October 2017 and as a practicing attorney from September 2016. Since November 2017, Ms. ZHANG has been acting as the general counsel of 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). She has served as a supervisor of Changchun Yingsheng Technology Investment Company Limited\* (長春盈勝科技投資有限公司) since December 2018, the chairman of supervisor committee of Changchun Public Housing Construction Investment Company Limited\* (長春市保障房建設投資有限責任公司) since September 2019 and a director of Changchun Guotou Construction Engineering Company Limited\* (長春國投建設工程有限公司) since January 2021.

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



# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## EMPLOYEE-REPRESENTATIVE SUPERVISOR LI XIAOLING

Ms. LI Xiaoling (李曉玲女士), aged 39, is a Supervisor of our Company on behalf of ordinary employee. She was appointed as our Supervisor on 30 May 2018. Ms. LI worked successively as technician in the technical department from July 2006 to April 2008, mainly responsible for maintaining and operating the office automation system, archivist at the general manager office from April 2008 to May 2009, mainly responsible for managing the archives, back office administrator of the human resources department from May 2009 to October 2016, mainly responsible for training and management of technicians, assistant of the head of human resources department from October 2016 to July 2017, mainly responsible for human resources provision and staff training, and deputy head of human resources department at our controlling shareholder, Chuncheng Investment, from July 2017 to May 2018, mainly responsible for human resources management. From May 2018 to November 2019, Ms. LI worked as the deputy head of human resources department at our Company. Since November 2019, Ms. LI has served as the deputy head of securities department (taking charge of work) and the head of department of securities affair, mainly responsible for securities management.

Ms. LI graduated with a bachelor's degree in computer science and technology from Changchun University of Technology (長春工業大學) in Jilin Province, the PRC, in July 2006. She has completed her studies and examinations to obtain the board secretary qualification certificate from the Shenzhen Stock Exchange (深圳證券交易所) in November 2021.

## DEPUTY GENERAL MANAGER LIU YANAN

Ms. LIU Yanan (劉亞男女士), aged 51, is currently the deputy general manager of the Company and is mainly responsible for safety production management, information technology protection and maintenance and repair management.

Ms. LIU Yanan served as an HVAC technician in the technical section of Chuncheng Investment's Green Park Institute\* (春城投資綠園所) from September 1992 to April 1994, as the head of the production technology section of Tiexi Branch Company of Chuncheng Investment (春城投資鐵西公司) from March 1994 to April 2003, as the assistant manager and head of the production section of Nanguan Branch Company of Chuncheng Investment (春城投資南關分公司) from April 2003 to April 2004, and successively as a deputy director and director of safety production department of Chuncheng Investment from April 2004 to June 2018, as a director of Chuncheng Investment since July 2017, as the director of production department of the Company from June 2018 to November 2022, and successively served as Chief Dispatching Officer, Secretary of Party General Branch of Chuncheng and the director of social work department of the Company since November 2019, and has served as the deputy general manager of the Company since September 2022.

Ms. LIU Yanan graduated from the Party School of the Central Committee of the Communist Party of China (中共中央黨校) in December 1995 with a bachelor's degree in economic management. Ms. LIU Yanan has obtained the qualification of senior engineer in heating and ventilation, the qualification of supervising engineer of the People's Republic of China and the qualification of registered consulting engineer (investment) of the People's Republic of China.



# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## BOARD SECRETARY, JOINT COMPANY SECRETARY WAN TAO

Mr. WAN Tao (萬滔先生), aged 36, joined our Group in May 2011 and is currently the assistant to general manager, Board secretary, Joint Company Secretary and general office manager of our Company. He was appointed as our Board secretary in May 2018 and our joint company secretary on 20 May 2019. Mr. WAN was the secretary and archivist and project statistician of Erdao Division of our controlling shareholder, Chuncheng Investment, from May 2011 to October 2012 and from October 2012 to May 2013, respectively, mainly responsible for news publication and preparing plans for heat production. He then worked as communications officer for the party branch at Changchun Investment from May 2013 to May 2015, mainly responsible for publications and media communications; deputy head of fuel management of Changchun Investment from May 2015 to May 2017, mainly responsible for securing coal supply for heat production; deputy director of office from May 2017 to May 2018, mainly responsible for management of the office. Mr. WAN has been the Board secretary and director of office of our Company since May 2018 and as the assistant to general manager of the Company since September 2022, responsible for organizing board meetings, shareholders' meetings, supervisory committee's meetings, preparation of documents and handling affairs in relation to our Group.

Mr. WAN graduated with a Bachelor of Arts degree with a major in Russian language from Beijing Normal University (北京師範大學) in Beijing, the PRC, in July 2009. He obtained board secretary qualification certificate from the Shanghai Stock Exchange (上海證券交易所) having completed training and exams in December 2017 and obtained board secretary qualification certificate from the Shenzhen Stock Exchange (深圳證券交易所) in April 2021. He received the 2022 Elite Board Secretary Award from Cailianshe\* (財聯社) in November 2022.



# AUDITOR'S REPORT

DaHuaShenZi [2023] No. 003334

## 1. OPINION

We have audited the financial statements of Jilin Province Chuncheng Heating Company Limited (hereinafter "Chuncheng Heating"), which comprise the combined and parent company's statements of financial position as at 31 December 2022, and the combined and parent company's income statements, the combined and parent company's statements of cash flows, the combined and parent company's statements of changes in equity for the year 2022, and related notes to the financial statements.

In our opinion, the attached financial statements, which was prepared in accordance with the requirements of ASBEs in all material aspects, give a true and fair view of the combined and parent company's financial position of Chuncheng Heating as at 31 December 2022, and of the combined and parent company's financial performance and cash flows for the year 2022.

## 2. BASIS OF OPINION

We conducted our audit in accordance with the China Standards on Auditing. Our responsibilities under those standards are further described in the section headed "Auditor's Responsibilities for the Audit of the Financial Statements" of our report. We are independent of the Chuncheng Heating in accordance with the China Standards on Auditing's Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 3. KEY AUDIT MATTERS

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters in our audit:

1. Recognition of revenue;
2. Impairment of goodwill.





# AUDITOR'S REPORT

## (1) Revenue Recognition

### 1. Description of the matter

Please refer to Note IV, (XXXIV) and VI, Remark 36 to the financial statements for information on the accounting policies and carrying amounts related to the revenue of Chuncheng Heating.

The revenue of Chuncheng Heating is mainly from heat supply business. Revenue from heat supply for the year 2022 amounted to RMB1,538.4196 million, representing 92.97% of the Chuncheng Heating's combined revenue. According to Note IV (XXXIV) to the financial statements, revenue from heat supply of Chuncheng Heating is recognised on the basis of the actual heating area and the heating price approved by relevant government departments, and is recognised in monthly instalments over the heating period in proportion to the number of heating days as a percentage of the total number of heating days. As the recognition of revenue from heat supply business is one of the key performance indicators of the Company, there is an inherent risk that management may manipulate revenue to meet its specific objectives or expectations. Therefore, we have identified the recognition of revenue from heat supply business as a key audit matter.

### 2. Audit response

In the course of our audit of the financial statements for the current period, the key auditing procedures we implemented for recognition of revenue from heat supply business include:

- (1) understand and assess the Management's internal control design relating to the recognition of revenue from heat supply business and test the effectiveness of the implementation of key controls;
- (2) obtain maps of the heating pipelines to randomly verify that residential communities in the billing system are located within the heat service area;
- (3) randomly verify household area floor plans drawn up by the community developers and compare them with the heat supply contract and heat billing system data to confirm the accuracy of the heat service area;
- (4) randomly verify pricing documents and heat supply contracts to confirm the unit price of heat supply;
- (5) spot check the reasonableness of the recognition of revenue from heat supply by means of analytical review, etc.;
- (6) randomly verify bank receipts for consistency with the heat billing system;
- (7) confirm the effectiveness of system controls relating to the heating billing system, the procurement management process of the ERP system and the sales management process during the Reporting Period by using the method of information system application control testing, and verify the consistency of business data with financial data by performing recalculation through computer-aided audit techniques;
- (8) perform cut-off tests on the revenue from heat supply with a focus on whether there exists any material inter-period revenue.

According to the audit procedures we have performed, in our opinion, the recognition of revenue from heat supply business is in line with the related accounting policies of Chuncheng Heating.



# AUDITOR'S REPORT

## (2) Impairment of goodwill

### 1. Description of the matter

Please refer to Note IV, (XXVII) and VI, Remark 13 to the financial statements for information on the accounting policies and carrying amounts related to impairment of goodwill of Chuncheng Heating.

The goodwill of Chuncheng Heating was from business combinations involving entities not under common control. As at 31 December 2022, original amount of goodwill of Chuncheng Heating was RMB74.8477 million. As at 31 December 2022, Chuncheng Heating had no impairment provision for goodwill, and had a goodwill value of RMB74.8477 million.

The management ("Management") of Chuncheng Heating performs an impairment test on goodwill at the end of each year. When impairment test is performed by the Management on goodwill together with its relevant asset group or asset group combination, the recoverable amount of the relevant asset group or asset group combination will be calculated and determined according to the present value of the expected future cash flows. Key assumptions used in the impairment test include: detailed forecast period revenue growth rate, perpetual forecast period growth rate, gross profit margin, discount rate, etc.

Due to the significant amount of goodwill and the fact that impairment test on goodwill involves significant judgments of the Management, we determine the impairment of goodwill as a key audit matter.

### 2. Audit response

With regard to the impairment of goodwill, our audit procedures mainly include:

- (1) understand the key internal control related to the impairment of goodwill, assess its design and operation, and test the operation effectiveness of relevant internal control;
- (2) review the forecast of the present value of future cash flows by the Management in previous years and the actual operating results, and evaluate the accuracy of historical expectations made by the Management;
- (3) understand and assess the competence, professionalism and objectivity of the external valuation expert engaged by the Management;
- (4) assess the reasonableness and consistency of methods used by the Management in the impairment test;
- (5) assess the reasonableness of the key assumptions used by the Management in the impairment test, and review whether the relevant assumptions are consistent with the overall economic environment, industry conditions, operating conditions, historical experience and operating plans;
- (6) test the accuracy, completeness and relevance of data used by the Management in the impairment test, and review the internal consistency of the relevant information in the impairment test;
- (7) check whether the information on goodwill impairment has been properly presented in financial statements.

According to the audit procedures we have performed, in our opinion, the recognition of goodwill impairment is in line with the accounting policies of Chuncheng Heating.



# AUDITOR'S REPORT

## 4. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management of Chuncheng Heating are responsible for the preparation of the financial statements that give a true and fair view in accordance with ASBEs, and for such internal control to be designed, exercised and maintained as the Management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management of Chuncheng Heating are responsible for assessing Chuncheng Heating's ability to continue as a going concern, disclosing matters related to going concern (if applicable) and using going concern assumption unless the Management either intend to liquidate Chuncheng Heating or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Chuncheng Heating's financial reporting process.

## 5. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

1. identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
3. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.



## AUDITOR'S REPORT

4. conclude on the appropriateness of the Management's use of the going concern basis of assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Chuncheng Heating's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required in our auditor's report to draw the attention of the report users to the related disclosures in these financial statements or, if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the information obtained up to the date of our auditor's report. However, future events or conditions may cause Chuncheng Heating to cease to continue as a going concern.
5. evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in Chuncheng Heating in order to express opinions on the financial statements. We are responsible for guiding, supervising and executing the audits of the Group and we take full responsibility for the audit opinions.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified  
Public Accountants  
(Special General Partnership)

Beijing, China

Chinese Certified  
Public Accountant:  
(Engagement partner) \_\_\_\_\_  
Yan Xincai

Chinese Certified  
Public Accountant: \_\_\_\_\_  
Fei Qiang

31 March 2023



# COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2022

Audited entity: Jilin Province Chun Cheng Heating Company Limited

(presented in RMB unless otherwise stated)

Asset	Note VI	Balance as at end of the period	Balance as at end of prior period
<b>CURRENT ASSETS:</b>			
Monetary fund	Remark 1	1,034,436,102.05	664,306,698.15
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable			
Trade receivables	Remark 2	139,825,918.08	223,060,999.01
Trade receivables financing			
Prepayments	Remark 3	587,425,208.07	508,937,790.32
Other receivables	Remark 4	17,686,677.50	6,941,347.08
Inventories	Remark 5	7,487,869.38	30,384,096.14
Contract assets	Remark 6	89,363,130.11	133,161,280.32
Assets held for sale			
Non-current assets due within one year			
Other current assets	Remark 7	17,263,647.13	17,232,911.07
<b>TOTAL CURRENT ASSETS</b>		<b>1,893,488,552.32</b>	<b>1,584,025,122.09</b>
<b>NON-CURRENT ASSETS:</b>			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other equity instrument investments			
Other non-current financial assets			
Investment properties	Remark 8	26,982.27	7,513,710.41
Fixed assets	Remark 9	984,808,829.76	1,045,874,487.44
Construction-in-progress	Remark 10	16,637,053.27	14,321,966.26
Biological assets			
Fuel and gas assets			
Right-of-use assets	Remark 11	708,603.37	1,650,591.05
Intangible assets	Remark 12	14,687,456.32	14,962,280.55
Development costs			
Goodwill	Remark 13	74,847,680.43	74,847,680.43
Long-term deferred expenditures	Remark 14	508,668.09	1,356,755.20
Deferred income tax assets	Remark 15	53,261,130.98	57,623,801.03
Other non-current assets			
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,145,486,404.49</b>	<b>1,218,151,272.37</b>
<b>TOTAL ASSETS</b>		<b>3,038,974,956.81</b>	<b>2,802,176,394.46</b>

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2022

Audited entity: Jilin Province Chun Cheng Heating Company Limited

(presented in RMB unless otherwise stated)

Liabilities and equity	Note VI	Balance as at end of the period	Balance as at end of prior period
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings	Remark 16	234,000,000.00	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Trade payables	Remark 17	199,672,999.06	232,178,489.39
Advances	Remark 18		100,000.00
Contract liabilities	Remark 19	1,410,922,916.32	1,411,336,830.54
Salaries payable	Remark 20	103,693,668.18	116,033,845.98
Tax payable	Remark 21	37,339,588.27	43,412,130.75
Other payables	Remark 22	21,365,983.70	17,429,924.15
Liabilities held for sale			
Non-current liabilities due within one year	Remark 23	476,190.47	975,251.76
Other current liabilities	Remark 24	17,836.40	1,760.92
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,007,489,182.40</b>	<b>1,821,468,233.49</b>
<b>NON-CURRENT LIABILITIES:</b>			
Long-term borrowings			
Bonds payable			
Of which: Preference shares			
Perpetual bonds			
Lease liabilities	Remark 25		476,190.47
Long-term payables	Remark 26	2,775,074.00	2,775,074.00
Long-term salaries payable	Remark 27	29,559,928.24	28,834,324.48
Estimated liabilities	Remark 28		350,000.00
Deferred income	Remark 29	44,188,783.40	48,604,047.04
Deferred income tax liabilities	Remark 15	41,263,242.91	49,166,204.34
Other non-current liabilities	Remark 30	1,797,307.74	2,484,653.05
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>119,584,336.29</b>	<b>132,690,493.38</b>
<b>TOTAL LIABILITIES</b>		<b>2,127,073,518.69</b>	<b>1,954,158,726.87</b>

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2022

Audited entity: Jilin Province Chuncheng Heating Company Limited

(presented in RMB unless otherwise stated)

<b>Liabilities and equity</b>	<b>Note VI</b>	<b>Balance as at end of the period</b>	<b>Balance as at end of prior period</b>
<b>TOTAL LIABILITIES</b>			
Share capital	Remark 31	466,700,000.00	466,700,000.00
Other equity instruments			
Of which: Preference shares			
Perpetual bonds			
Capital reserve			
Less: Treasury stock			
Other comprehensive income	Remark 32	-1,786,642.82	-1,629,142.82
Special reserves	Remark 33	25,643,923.18	22,600,130.11
Surplus reserve	Remark 34	29,831,863.56	19,895,513.09
Undistributed profits	Remark 35	391,512,294.20	340,451,167.21
Total owners' equity attributable to the parent company		911,901,438.12	848,017,667.59
Minority interests			
<b>TOTAL EQUITY</b>		911,901,438.12	848,017,667.59
<b>TOTAL LIABILITIES AND TOTAL EQUITY</b>		3,038,974,956.81	2,802,176,394.46

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# COMBINED INCOME STATEMENT

Year 2022

Audited entity: Jilin Province Chun Cheng Heating Company Limited

(presented in RMB unless otherwise stated)

Item	Note VI	Current period	Previous period
<b>I. TOTAL OPERATING INCOME</b>	Remark 36	1,654,705,152.68	1,649,598,271.19
Less: Operating costs	Remark 36	1,424,056,759.56	1,324,281,691.80
Taxes and surcharges	Remark 37	4,460,519.44	4,625,554.34
Selling expenses	Remark 38	1,735,600.28	1,740,127.00
Administrative expenses	Remark 39	99,230,886.70	114,967,206.26
Research and development expenses	Remark 40	1,974,740.89	2,064,373.18
Financial costs	Remark 41	-13,484,950.49	-1,193,946.47
Of which: Interest expenses	Remark 41	9,941,875.67	10,453,276.18
Interest income	Remark 41	21,389,734.42	12,923,039.47
Add: Other income	Remark 42	11,933,281.37	7,100,071.92
Investment income ("-" denotes loss)	Remark 43		296,104.45
Of which: Investment income from associates and joint ventures			
Gain on derecognition of financial assets measured at amortized cost			
Net gain from hedging exposure ("-" denotes loss)			
Gain on changes in fair value ("-" denotes loss)	Remark 44		227,083.33
Credit impairment loss ("-" denotes loss)	Remark 45	32,935,049.77	-30,066,857.34
Impairment loss on assets ("-" denotes loss)	Remark 46	-17,095,441.97	-22,594,470.82
Gain on disposal of assets ("-" denotes loss)	Remark 47	13,021.19	5,951,536.93
<b>II. OPERATING PROFIT ("-" denotes loss)</b>		164,517,506.66	164,026,733.55
Add: Non-operating income	Remark 48	1,435,727.08	4,600,246.69
Less: Non-operating expenses	Remark 49	308,250.32	1,543,292.67
<b>III. TOTAL PROFIT ("-" denotes total loss)</b>		165,644,983.42	167,083,687.57
Less: Income tax expenses	Remark 50	50,977,005.96	44,325,690.92
<b>IV. NET PROFIT ("-" denotes net loss)</b>		114,667,977.46	122,757,996.65
Of which: Net profit realized by the acquiree before business combination under common control			
(I) Classified by continuity of operation			
Net profit from continuing operation ("-" denotes net loss)		114,667,977.46	122,757,996.65
Net profit from discontinued operation ("-" denotes net loss)			
(II) Classified by ownership			
Net profit attributable to owners of the parent company ("-" denotes net loss)		114,667,977.46	122,757,996.65
Minority interests ("-" denotes net loss)			

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:





# COMBINED INCOME STATEMENT

Year 2022

Audited entity: Jilin Province Chuncheng Heating Company Limited

(presented in RMB unless otherwise stated)

Item	Note VI	Current period	Previous period
<b>V. OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	Remark 32	-157,500.00	-1,335,000.00
Other comprehensive income attributable to owners of the parent company, net of tax	Remark 32	-157,500.00	-1,335,000.00
(I) Other comprehensive income that may not be reclassified to profit or loss	Remark 32	-157,500.00	-1,335,000.00
1. Net changes from re-measurement of defined benefit plans	Remark 32	-157,500.00	-1,335,000.00
2. Other comprehensive income that may not be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of the company's own credit risk			
5. Others			
(II) Other comprehensive income that may be reclassified to profit or loss		—	—
1. Other comprehensive income that may be transferred to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amounts of financial assets reclassified to other comprehensive income			
4. Credit impairment provision for other debt investments			
5. Reserves for cash flows hedges			
6. Differences on foreign currency translation			
7. Investment income arised from a package disposal of subsidiaries before the loss of control			
8. Conversion of other assets to investment property measured by fair value model			
9. Others			
Other comprehensive income attributable to minority shareholders, net of tax			
<b>VI. TOTAL COMPREHENSIVE INCOME</b>		114,510,477.46	121,422,996.65
Total comprehensive income attributable to owners of the parent company		114,510,477.46	121,422,996.65
Total comprehensive income attributable to minority shareholders			
<b>VII. EARNINGS PER SHARE:</b>			
(I) Basic earnings per share	Note XVIII	0.25	0.26
(II) Diluted earnings per share	Note XVIII	0.25	0.26

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# COMBINED STATEMENT OF CASH FLOWS

Year 2022

Audited entity: Jilin Province Chun Cheng Heating Company Limited

(presented in RMB unless otherwise stated)

Item	Note VI	Current period	Previous period
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services		1,847,363,849.90	1,949,083,522.53
Refund of taxes and surcharges		39,963,058.24	1,077,116.24
Cash received relating to other operating activities	Remark 51	166,745,067.46	139,591,167.13
Sub-total of cash inflows from operating activities		2,054,071,975.60	2,089,751,805.90
<hr/>			
Cash paid for purchase of goods and receipt of services		1,290,300,917.98	1,399,070,787.40
Cash paid to and on behalf of employees		229,684,824.86	235,942,143.95
Payments of tax charges		118,125,974.02	131,147,138.14
Cash paid relating to other operating activities	Remark 51	169,808,498.76	199,589,847.04
Sub-total of cash outflows from operating activities		1,807,920,215.62	1,965,749,916.53
Net cash flows from operating activities		246,151,759.98	124,001,889.37
<hr/>			
<b>II. Cash flows from investing activities:</b>			
Cash received from recovery of investments			50,000,000.00
Cash received from returns on investments			227,083.33
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets			7,150,256.57
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities			57,377,339.90
<hr/>			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		50,431,332.72	78,144,607.36
Cash paid to acquire investments			118,376,300.00
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		50,431,332.72	196,520,907.36
<b>Net cash flows from investing activities</b>		<b>-50,431,332.72</b>	<b>-139,143,567.46</b>

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# COMBINED STATEMENT OF CASH FLOWS

Year 2022

Audited entity: Jilin Province Chuncheng Heating Company Limited

(presented in RMB unless otherwise stated)

Item	Note VI	Current period	Previous period
<b>III. Cash flows from financing activities:</b>			
Cash received from capital contributions			
Of which: Cash received from investment by minority shareholders to subsidiaries			
Cash received from borrowings		648,990,355.06	336,874,723.54
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		648,990,355.06	336,874,723.54
Cash paid for repayment of borrowings		414,990,355.06	336,874,723.54
Cash paid for distribution of dividends, profits or interest payment		63,078,153.12	51,891,658.59
Of which: Payments for distribution of dividends or profits to minority shareholders by subsidiaries			
Cash paid relating to other financing activities	Remark 51	766,666.67	1,046,666.67
Sub-total of cash outflows from financing activities		478,835,174.85	389,813,048.80
Net cash flows from financing activities		170,155,180.21	-52,938,325.26
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		53,796.43	-17,666.83
<b>V. Net increase in cash and cash equivalents</b>	Remark 52	365,929,403.90	-68,097,670.18
Add: Cash and cash equivalents at beginning of the period	Remark 52	664,306,698.15	732,404,368.33
<b>VI. Cash and cash equivalent at end of the period</b>	Remark 52	1,030,236,102.05	664,306,698.15

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# COMBINED STATEMENT OF CHANGES IN EQUITY

Year 2022

Audited entity: Jilin Province Chun Cheng Heating Company Limited

(presented in RMB unless otherwise stated)

Item	Current period											
	Owners' equity attributable to the parent company											
	Other equity instruments				Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Minority interests	Total owners' equity
Share capital	Preference shares	Perpetual bonds	Others									
<b>I. Closing balance of previous year</b>	466,700,000.00					-1,629,142.82	22,600,130.11	19,895,513.09	340,451,167.21			848,017,667.59
Add: Change in accounting policy												
Correction of accounting errors for prior period												
Business combination under common control												
Others												
<b>II. Opening balance of current year</b>	466,700,000.00					-1,629,142.82	22,600,130.11	19,895,513.09	340,451,167.21			848,017,667.59
<b>III. Changes during the year</b>						-157,500.00	3,043,793.07	9,936,350.47	51,061,126.99			63,883,770.53
(I) Total comprehensive income						-157,500.00			114,667,977.46			114,510,477.46
(II) Owners' contribution and capital reduction												
1. Ordinary shares contribution by owners												
2. Capital invested by other equity instrument holders												
3. Share payment included in the owner's equity												
4. Others												
(III) Profit appropriation								9,936,350.47	-63,606,850.47			-53,670,500.00
1. Appropriation to surplus reserve								9,936,350.47	-9,936,350.47			-53,670,500.00
2. Distribution to shareholders												
3. Others												
(IV) Internal transfer of owners' equity												
1. Capital reserve transferred to share capital												
2. Surplus reserve transferred to share capital												
3. Surplus reserve make up for losses												
4. Changes of defined benefits plan transferred to retained earnings												
5. Other comprehensive income transferred to retained earnings												
6. Others												
(V) Special reserve							3,043,793.07					3,043,793.07
1. Appropriation in the current period							3,043,793.57					3,045,783.57
2. Utilized in the current period							-1,990.50					-1,990.50
(VI) Others												
<b>IV. Closing balance of current year</b>	466,700,000.00					-1,786,642.82	25,643,923.18	29,831,863.56	391,512,294.20			911,901,438.12

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# COMBINED STATEMENT OF CHANGES IN EQUITY

Year 2022

Audited entity: Jilin Province Chuncheng Heating Company Limited

(presented in RMB unless otherwise stated)

Item	Incurred during the previous period											Total owners' equity
	Owners' equity attributable to the parent company											
	Other equity instruments				Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Minority interests	
Share capital	Preference shares	Perpetual bonds	Others									
<b>I. Closing balance of previous year</b>	466,700,000.00						-294,142.82	12,761,083.71	6,825,465.48	278,833,318.17		764,825,724.54
Add: Change in accounting policy												
Correction of accounting errors for prior period												
Business combination under common control												
Others												
<b>II. Opening balance of current year</b>	466,700,000.00						-294,142.82	12,761,083.71	6,825,465.48	278,833,318.17		764,825,724.54
<b>III. Changes during the year</b>							-1,335,000.00	9,839,046.40	13,070,047.61	61,617,849.04		83,191,943.05
(I) Total comprehensive income							-1,335,000.00			122,757,996.65		121,422,996.65
(II) Owners' contribution and capital reduction												
1. Ordinary shares contribution by owners												
2. Capital invested by other equity instrument holders												
3. Share payment included in the owner's equity												
4. Others												
(III) Profit appropriation									13,070,047.61	-61,140,147.61		-48,070,100.00
1. Appropriation to surplus reserve									13,070,047.61	-13,070,047.61		-48,070,100.00
2. Distribution to shareholders										-48,070,100.00		
3. Others												
(IV) Internal transfer of owners' equity												
1. Capital reserve transferred to share capital												
2. Surplus reserve transferred to share capital												
3. Surplus reserve make up for losses												
4. Changes of defined benefits plan transferred to retained earnings												
5. Other comprehensive income transferred to retained earnings												
6. Others												
(V) Special reserve								9,839,046.40				9,839,046.40
1. Appropriation in the current period								9,839,046.40				9,839,046.40
2. Utilized in the current period												
(VI) Others												
<b>IV. Closing balance of current year</b>	466,700,000.00						-1,629,142.82	22,600,130.11	19,895,513.09	340,451,167.21		848,017,667.59

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

31 December 2022

Audited entity: Jilin Province Chuncheng Heating Company Limited

(presented in RMB unless otherwise stated)

Asset	Note XVII	Balance as at end of the period	Balance as at end of prior period
<b>CURRENT ASSETS:</b>			
Monetary fund		934,110,506.63	608,250,375.63
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable			
Trade receivables	Remark 1	61,426,594.41	36,472,523.19
Trade receivables financing			
Prepayments		540,720,078.60	460,375,118.49
Other receivables	Remark 2	58,943,028.63	126,502,445.61
Inventories		1,677,798.23	6,924,579.77
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		12,302,147.33	3,970,292.16
<b>TOTAL CURRENT ASSETS</b>		<b>1,609,180,153.83</b>	<b>1,242,495,334.85</b>
<b>NON-CURRENT ASSETS:</b>			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	Remark 3	565,309,527.07	565,309,527.07
Other equity instrument investments			
Other non-current financial assets			
Investment properties		113,205.59	37,681.23
Fixed assets		691,803,451.41	751,107,359.75
Construction-in-progress		13,085,998.27	9,345,877.71
Biological assets			
Fuel and gas assets			
Right-of-use assets		131,924.77	375,479.29
Intangible assets		5,880,413.84	5,939,349.88
Development costs			
Goodwill			
Long-term deferred expenditures			
Deferred income tax assets		15,911,163.69	15,994,174.89
Other non-current assets			
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,292,235,684.64</b>	<b>1,348,109,449.82</b>
<b>TOTAL ASSETS</b>		<b>2,901,415,838.47</b>	<b>2,590,604,784.67</b>

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

31 December 2022

Audited entity: Jilin Province Chun Cheng Heating Company Limited

(presented in RMB unless otherwise stated)

<b>Liabilities and equity</b>	<b>Note XVII</b>	<b>Balance as at end of the period</b>	<b>Balance as at end of prior period</b>
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings		234,000,000.00	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			
Trade payables		167,628,240.33	143,627,005.49
Advances			
Contract liabilities		1,065,719,191.10	1,008,423,047.92
Salaries payable		17,685,499.22	19,949,869.66
Tax payable		8,240,486.77	5,404,282.96
Other payables		437,342,199.97	485,141,173.85
Liabilities held for sale			
Non-current liabilities due within one year			260,116.68
Other current liabilities			
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,930,615,617.39</b>	<b>1,662,805,496.56</b>
<b>NON-CURRENT LIABILITIES:</b>			
Long-term borrowings			
Bonds payable			
Of which: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term salaries payable		15,759,928.24	14,894,324.48
Estimated liabilities			
Deferred income		36,026,365.44	39,471,540.96
Deferred income tax liabilities			
Other non-current liabilities			
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>51,786,293.68</b>	<b>54,365,865.44</b>
<b>TOTAL LIABILITIES</b>		<b>1,982,401,911.07</b>	<b>1,717,171,362.00</b>

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

31 December 2022

Audited entity: Jilin Province Chun Cheng Heating Company Limited

(presented in RMB unless otherwise stated)

<b>Liabilities and equity</b>	<b>Note XVII</b>	<b>Balance as at end of the period</b>	<b>Balance as at end of prior period</b>
<b>EQUITY:</b>			
Share capital		466,700,000.00	466,700,000.00
Other equity instruments			
Of which: Preference shares			
Perpetual bonds			
Capital reserve		100,742,767.45	100,742,767.45
Less: Treasury stock			
Other comprehensive income		-1,379,142.82	-1,266,642.82
Special reserves			
Surplus reserve		53,726,195.99	43,789,845.52
Undistributed profits		299,224,106.78	263,467,452.52
<hr/>			
<b>TOTAL EQUITY</b>		<b>919,013,927.40</b>	<b>873,433,422.67</b>
<hr/>			
<b>TOTAL LIABILITIES AND TOTAL EQUITY</b>		<b>2,901,415,838.47</b>	<b>2,590,604,784.67</b>

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:





# INCOME STATEMENT OF PARENT COMPANY

Year 2022

Audited entity: Jilin Province Chun Cheng Heating Company Limited

(presented in RMB unless otherwise stated)

Item	Note XVII	Current period	Previous period
<b>I. OPERATING INCOME</b>	Remark 4	1,001,208,716.79	985,969,068.01
Less: Operating costs	Remark 4	824,696,346.51	763,116,630.78
Taxes and surcharges		2,360,837.72	1,655,964.38
Selling expenses		491,997.85	616,969.93
Administrative expenses		62,346,516.08	73,283,318.68
Research and development expenses			
Financial costs		-13,630,703.18	-7,707,704.73
Of which: Interest expenses		9,484,153.60	3,718,949.55
Interest income		21,038,779.69	12,034,923.20
Add: Other income		9,032,030.85	4,254,427.76
Investment income ("-" denotes loss)	Remark 5		296,104.45
Of which: Investment income from associates and joint ventures			
Gain on derecognition of financial assets measured at amortized cost			
Net gain from hedging exposure ("-" denotes loss)			
Gain on changes in fair value ("-" denotes loss)			227,083.33
Credit impairment loss ("-" denotes loss)		-2,247,526.93	2,515,118.70
Impairment loss on assets ("-" denotes loss)			1,584,931.81
Gain on disposal of assets ("-" denotes loss)			6,604,459.02
<b>II. OPERATING PROFIT ("-" denotes loss)</b>		131,728,225.73	170,486,014.04
Add: Non-operating income		930,103.61	4,171,601.64
Less: Non-operating expenses			
<b>III. TOTAL PROFIT ("-" denotes total loss)</b>		132,658,329.34	174,657,615.68
Less: Income tax expenses		33,294,824.61	43,957,139.61
<b>IV. NET PROFIT ("-" denotes net loss)</b>		99,363,504.73	130,700,476.07
(I) Net profit from continuing operation ("-" denotes net loss)		99,363,504.73	130,700,476.07
(II) Net profit from discontinued operation ("-" denotes net loss)			

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# INCOME STATEMENT OF PARENT COMPANY

Year 2022

Audited entity: Jilin Province Chuncheng Heating Company Limited

(presented in RMB unless otherwise stated)

Item	Note XVII	Current period	Previous period
<b>V. OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		-112,500.00	-292,500.00
(I) Other comprehensive income that may not be reclassified to profit or loss		-112,500.00	-292,500.00
1. Changes from re-measurement of defined benefit plans, net		-112,500.00	-292,500.00
2. Other comprehensive income that may not be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of the company's own credit risk			
5. Other			
(II) Other comprehensive income that may be reclassified to profit or loss			
1. Other comprehensive income that may be transferred to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amounts of financial assets reclassified to other comprehensive income			
4. Credit impairment provision for other debt investments			
5. Reserves for cash flows hedges			
6. Differences on foreign currency translation			
7. Investment income arised from a package disposal of subsidiaries before the loss of control			
8. Conversion of other assets to investment property measured by fair value model			
9. Other			
<b>VI. TOTAL COMPREHENSIVE INCOME</b>		99,251,004.73	130,407,976.07
<b>VII. EARNINGS PER SHARE:</b>			
(I) Basic earnings per share			
(II) Diluted earnings per share			

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# STATEMENT OF CASH FLOWS OF PARENT COMPANY

Year 2022

Audited entity: Jilin Province Chuncheng Heating Company Limited

(presented in RMB unless otherwise stated)

Item	Note XVII	Current period	Previous period
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from sales of goods or rendering of services		994,460,825.47	1,011,513,392.02
Refund of taxes and surcharges		31,667,090.29	426,481.02
Cash received relating to other operating activities		818,258,783.63	1,049,456,069.11
<hr/>			
Sub-total of cash inflows from operating activities		1,844,386,699.39	2,061,395,942.15
<hr/>			
Cash paid for purchase of goods and receipt of services		949,016,039.63	984,167,034.63
Cash paid to and on behalf of employees		129,200,601.31	134,695,714.47
Payments of tax charges		74,155,537.49	75,399,288.24
Cash paid relating to other operating activities		497,940,424.46	362,606,944.15
<hr/>			
Sub-total of cash outflows from operating activities		1,650,312,602.89	1,556,868,981.49
<hr/>			
<b>Net cash flows from operating activities</b>		<b>194,074,096.50</b>	<b>504,526,960.66</b>
<hr/>			
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Cash received from recovery of investments			50,000,000.00
Cash received from returns on investments			227,083.33
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets			6,277,389.17
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities			
<hr/>			
Sub-total of cash inflows from investing activities			56,504,472.50
<hr/>			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		39,189,608.81	73,015,449.45
Cash paid to acquire investments			146,876,300.00
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			
<hr/>			
Sub-total of cash outflows from investing activities		39,189,608.81	219,891,749.45
<hr/>			
<b>Net cash flows from investing activities</b>		<b>-39,189,608.81</b>	<b>-163,387,276.95</b>

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# STATEMENT OF CASH FLOWS OF PARENT COMPANY

Year 2022

Audited entity: Jilin Province Chun Cheng Heating Company Limited

(presented in RMB unless otherwise stated)

Item	Note XVII	Current period	Previous period
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Cash received from capital contributions			
Cash received from borrowings		648,990,355.06	336,874,723.54
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		648,990,355.06	336,874,723.54
Cash paid for repayment of borrowings		414,990,355.06	336,874,723.54
Cash paid for distribution of dividends, profits or interest payment		63,078,153.12	51,891,658.59
Cash paid relating to other financing activities			280,000.00
Sub-total of cash outflows from financing activities		478,068,508.18	389,046,382.13
<b>Net cash flows from financing activities</b>		170,921,846.88	-52,171,658.59
<b>IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		53,796.43	-17,666.83
<b>V. NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		325,860,131.00	288,950,358.29
Add: Cash and cash equivalents at beginning of the period		608,250,375.63	319,300,017.34
<b>VI. CASH AND CASH EQUIVALENT AT END OF THE PERIOD</b>		934,110,506.63	608,250,375.63

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY

Year 2022

Audited entity: Jilin Province Chuncheng Heating Company Limited

(presented in RMB unless otherwise stated)

Item	Current period										Total owners' equity
	Other equity instruments				Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
Share capital	Preference shares	Perpetual bonds	Other								
<b>I. Closing balance of previous year</b>	466,700,000.00				100,742,767.45		-1,266,642.82		43,789,845.52	263,467,452.52	873,433,422.67
Add: Change in accounting policy											
Correction of accounting errors for prior period											
Other											
<b>II. Opening balance of current year</b>	466,700,000.00				100,742,767.45		-1,266,642.82		43,789,845.52	263,467,452.52	873,433,422.67
<b>III. Changes during the year</b>							-112,500.00		9,936,350.47	35,756,654.26	45,580,504.73
(I) Total comprehensive income							-112,500.00			99,363,504.73	99,251,004.73
(II) Owners' contribution and capital reduction											
1. Ordinary shares contribution by owners											
2. Capital invested by other equity instrument holders											
3. Share payment included in the owner's equity											
4. Other											
(III) Profit appropriation									9,936,350.47	-63,606,850.47	-53,670,500.00
1. Appropriation to surplus reserve									9,936,350.47	-9,936,350.47	
2. Distribution to shareholders										-53,670,500.00	-53,670,500.00
3. Other											
(IV) Internal transfer of owners' equity											
1. Capital reserve transferred to share capital											
2. Surplus reserve transferred to share capital											
3. Surplus reserve make up for losses											
4. Changes of defined benefits plan transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Other											
(V) Special reserve											
1. Appropriation in the current period											
2. Utilized in the current period											
(VI) Other											
<b>IV. Closing balance of current year</b>	466,700,000.00				100,742,767.45		-1,379,142.82		53,726,195.99	299,224,106.78	919,013,927.40

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY

Year 2022

Audited entity: Jilin Province Chuncheng Heating Company Limited

(presented in RMB unless otherwise stated)

Item	Incurred during the previous period										Total owners' equity
	Other equity instruments				Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	
Share capital	Preference shares	Perpetual bonds	Other								
<b>I. Closing balance of previous year</b>	466,700,000.00				100,742,767.45		-974,142.82		30,719,797.91	193,907,124.06	791,095,546.60
Add: Change in accounting policy											
Correction of accounting errors for prior period											
Other											
<b>II. Opening balance of current year</b>	466,700,000.00				100,742,767.45		-974,142.82		30,719,797.91	193,907,124.06	791,095,546.60
<b>III. Changes during the year</b>							-292,500.00		13,070,047.61	69,560,328.46	82,337,876.07
(I) Total comprehensive income							-292,500.00			130,700,476.07	130,407,976.07
(II) Owners' contribution and capital reduction											
1. Ordinary shares contribution by owners											
2. Capital invested by other equity instrument holders											
3. Share payment included in the owner's equity											
4. Other											
(III) Profit appropriation									13,070,047.61	-61,140,147.61	-48,070,100.00
1. Appropriation to surplus reserve									13,070,047.61	-13,070,047.61	
2. Distribution to shareholders										-48,070,100.00	-48,070,100.00
3. Other											
(IV) Internal transfer of owners' equity											
1. Capital reserve transferred to share capital											
2. Surplus reserve transferred to share capital											
3. Surplus reserve make up for losses											
4. Changes of defined benefits plan transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Other											
(V) Special reserve											
1. Appropriation in the current period											
2. Utilized in the current period											
(VI) Other											
<b>IV. Closing balance of current year</b>	466,700,000.00				100,742,767.45		-1,266,642.82		43,789,845.52	263,467,452.52	873,433,422.67

(The accompanying notes form an integral part of these financial statements)

Legal representative:

Person in charge of accounting function:

Person in charge of audit firm:



# NOTES TO FINANCIAL STATEMENTS

## I. GENERAL INFORMATION OF THE COMPANY

### (II) History, Place of Registration, Type of Organisation and Address of Headquarter

#### 1. Limited liability phase

Jilin Province Chuncheng Heating Company Limited (the “Company” or the “Group”), formally known as Jilin Province Changre New Energy Co., Ltd., is a company established by Changchun Heating Power (Group) Company Limited\* (長春市熱力(集團)有限責任公司) (currently known as Changchun Chuncheng Investment Development Group Company Limited\* (長春市春城投資發展集團有限公司)) with a total registered capital of RMB50.00 million at the time of establishment. The Company has obtained a legal enterprise business license (no. 220101000502062) approved and issued by the Changchun Administration Bureau for Industry and Commerce on 23 October 2017.

The Company changed its name to Jilin Province Chuncheng Heating Company Limited on 30 March 2018.

On 26 April 2018, with the approval of SASAC Changchun, Changchun Heating Power (Group) Company Limited, 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) and the Company entered into a capital increase agreement, pursuant to which the registered capital of the Company has increased to RMB53,763,400.

#### 2. Shareholding reorganization

Jilin Province Chuncheng Heating Company Limited held a general meeting and passed the resolution on comprehensive change to become a joint stock company with limited liability. According to the promoters’ agreement and the Articles of Association, Jilin Province Chuncheng Heating Company Limited made a comprehensive change from a limited liability company to become a joint stock limited liability company with a registered capital of RMB350 million, which was contributed by each of the promoters by converting the net assets owned by them as at 30 April 2018 into shares. As at 30 April 2018, the audited net assets of Jilin Province Chuncheng Heating Company Limited amounted to a total of RMB522,908,077.64, which was converted into a total of 350,000,000 shares with a par value of RMB1 per share, and the proportion of capital contribution by each shareholders before and after the conversion remained unchanged. The Company completed business registration procedures and obtained legal enterprise business license (no. 91220101MA14W03575) on 30 May 2018.

The Company was listed in the Hong Kong Stock Exchange in October 2019. With the approval of the securities authority of the State Council, the Company may make an initial public offering of 116.7 million overseas listed foreign shares to foreign investors, all of which are H shares.



# NOTES TO FINANCIAL STATEMENTS

## I. GENERAL INFORMATION OF THE COMPANY (Continued)

### (I) History, Place of Registration, Type of Organisation and Address of Headquarter (Continued)

#### 3. Place of registration and address of headquarter

As at 31 December 2022, the Company has share capital of 466.70 million Shares, with a registered capital of RMB466.70 million. Our registered address is: No. 28, Block B (Hongcheng Xiyu), Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province; our headquarter address is: No. 28, Block B (Hongcheng Xiyu), Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province. Our parent company is Changchun Chuncheng Investment Development Group Company Limited\* (長春市春城投資發展集團有限公司) and the ultimate beneficial owner of the Group is the SASAC Changchun.

### (II) Business Nature and Major Operating Activities of the Company

The Company engages in the heat supply industry and its main products and services are: new energy technology development; heating production and supply; heating engineering design and installation services; contract 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).

### (III) Approval of the Financial Statements

These financial statements have been approved for issue by the Board of Directors of the Company on 31 March 2023.





# NOTES TO FINANCIAL STATEMENTS

## II. SCOPE OF COMBINED FINANCIAL STATEMENTS

During the period, 11 subsidiaries were consolidated into the combined financial statements, which were:

Name of Subsidiary	Type of Subsidiary	Tier	Percentage of Shareholding (%)	Percentage of Voting Rights (%)
Jilin Province Changre Maintenance Service Company Limited* (吉林省長熱維修實業有限公司)	wholly-owned subsidiary	2	100	100
Changchun City Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限責任公司)	wholly-owned subsidiary	2	100	100
Jilin Province Changre Pipelines Transmission Company Limited* (吉林省長熱管網輸送有限公司)	wholly-owned subsidiary	2	100	100
Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司)	wholly-owned subsidiary	2	100	100
Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱儀錶電氣有限公司)	wholly-owned subsidiary	2	100	100
Jilin Province Chuncheng Biomass Power Co., Ltd.*(吉林省春城生物質能源有限公司)	wholly-owned subsidiary	2	100	100
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)	wholly-owned subsidiary	2	100	100
Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司)	wholly-owned subsidiary	2	100	100
Jilin Province Hengxin Electricity Co. Ltd.* (吉林省恒信售電有限公司)	wholly-owned subsidiary	3	100	100
Jilin Chuncheng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司)	wholly-owned subsidiary	2	100	100
Jilin Province Northeast Heating Co., Ltd.* (吉林省東北供熱有限公司)	Controlling subsidiary	2	60	60



# NOTES TO FINANCIAL STATEMENTS

## II. SCOPE OF COMBINED FINANCIAL STATEMENTS (Continued)

The number of entities that were consolidated into the scope of the combined financial statements has decreased by 1 during the period, compared with the same period last year, due to the de-registration of Jilin Province Hengda New Energy Technology Development Company Limited on 30 August 2022.

## III. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### (I) Basis of Preparation of the Financial Statements

The financial statements of the Company were prepared according to the transactions and matters actually occurred, and recognitions and measurements were made in accordance with the Accounting Standards for Enterprises — Basic Standards published by the Ministry of Finance and specific accounting standards, guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (the “ASBEs”). On this basis, the financial statements were also prepared in conjunction with the provisions of the “Regulations on Information Disclosure and Compilation of Companies Offering Securities to the Public No. 15-General Provisions on Financial Reporting” (revised in 2014) issued by the China Securities Regulatory Commission.

### (II) Going Concern

Pursuant to the Company’s assessment on the continuing operation ability of the Company within 12 months since the end of the Reporting Period, no matters or events that may raise any material doubts on the continuing operation ability of the Company was discovered, and thus these financial statements were prepared under going concern basis.

### (III) Basis of Accounting and Principle of Measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in these financial statements . Where assets are impaired, corresponding provisions for asset impairment are made in accordance with the relevant requirements.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### (I) Notes to Specific Accounting Policies and Accounting Estimates

The Company have formulated certain specific accounting policies and accounting estimates in accordance with the production and operation characteristics, including the method of calculating the provision of the expected credit loss on trade receivables (Note IV (XI)) and the timing of revenue recognition (Note IV (XXXIV)).

### (II) Disclaimer of Compliance with the ASBEs

The financial statements have been prepared by the Company in conformity with the ASBEs; and truly and completely reflected the information such as financial position, operation results, and cash flow, etc. of the Company during the Reporting Period.

### (III) Accounting Period

The accounting year of the Company is from 1 January to 31 December of the Gregorian calendar.

### (IV) Operating Cycle

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose till the realization of those assets in cash or cash equivalents. The Company adopts 12 months as an operating cycle and uses it as a criterion for classifying the liquidity of assets and liabilities.

### (V) Reporting Currency

The reporting currency of the Company is Renminbi ("RMB").

### (VI) Accounting Treatments of Business Combinations Involving Entities under Common Control and Entities not under Common Control

1. If the terms, conditions and economic effects of transactions for the purpose of realizing business combination in phases, fall into one or more of the following situations, then multiple transactions are regarded as a group of transactions for accounting treatment

- (1) these transactions were entered into at the same time or after considering the effects of other transactions;
- (2) only when regarding these transactions as a whole, can they achieve a complete business result;
- (3) the occurrence of one transaction depends on the occurrence of at least one other transaction;
- (4) a transaction alone is not economical, but it is economical when considering together with other transactions.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (VI) Accounting Treatments of Business Combinations Involving Entities under Common Control and Entities not under Common Control (Continued)

#### 2. Business combinations involving entities under common control

The assets and liabilities acquired by the Company in business combination shall be measured at the carrying amount of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the combined financial statements of the ultimate controlling party at the date of business combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the business combination (or total nominal value of the issued shares) is adjusted to share premium in capital reserve. If the share premium in capital reserve is not sufficient to eliminate the difference, the remaining balance is adjusted against retained earnings.

If there is any contingent consideration required to be recognized as estimated liabilities or assets, capital reserve (capital premium or share premium) is adjusted by the difference between the amount of such estimated liabilities or assets and the amount of settlement of subsequent contingent consideration. When the capital reserve is insufficient, the remaining balance is adjusted against retained earnings.

For business combination finally realized after multiple transactions, in case of a group of transactions, those transactions are accounted as one transaction to acquire the control; in case of a transaction not included in a group of transactions, on the date of acquisition of the control, the capital reserve is adjusted by the difference between the initial investment cost of long-term equity investment and the sum of the carrying amount of the long-term equity investment before the combination and the carrying amount of the new payment consideration for further acquisition of shares on the date of combination; where the capital reserve is insufficient to eliminate, the remaining balance is adjusted against retained earnings. For the equity investment held before the date of business combination, the other comprehensive income recognized under equity method or financial instrument recognition and measurement standards are not accounted until the same accounting treatment for direct disposal of relevant assets or liabilities of the investee is adopted for the disposal of such investment; changes in the owners' equity other than the net losses and profits, other comprehensive income and profit distribution in the net assets of the investee that is recognized under the equity method, are not accounted until disposal of such investment is transferred to current profit and losses.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (VI) Accounting Treatments of Business Combinations Involving Entities under Common Control and Entities not under Common Control (Continued)

#### 3. Business combinations involving entities not under common control

The acquisition date refers to the date on which the Company actually obtained control over the acquiree, i.e. the date when the acquiree's net assets or the control of production and operation decisions were transferred to the Company. When the following conditions are met at the same time, the Company is generally of the view that the transfer of control has been achieved:

- ① A business combination contract or agreement has been approved by the Company's internal authority.
- ② Approval for business combination matters from relevant national regulatory authority has been obtained.
- ③ The necessary procedures for the transfer of property rights have been completed.
- ④ The Company has already paid most of the combination consideration, has the ability and plans to pay the remaining amount.
- ⑤ The Company has the actual control of the financial and operating policies of the acquiree, enjoyed corresponding benefits and assumed corresponding risks.

The assets paid and liabilities incurred or committed as a consideration of business combination by the Company were measured at fair value on the date of acquisition and the difference between the fair value and its carrying amount shall be charged to the profit or loss for the period.

Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the Company shall recognize such difference as goodwill; where the cost of combination is lower than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to the profit or loss for the period after verification.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (VI) Accounting Treatments of Business Combinations Involving Entities under Common Control and Entities not under Common Control (Continued)

#### 3. Business combinations involving entities not under common control (Continued)

In a business combination involving entities not under common control that is realized in phases through multiple exchange transactions, in case of a group of transactions, those transactions are accounted as one transaction to acquire the control; in case of transactions not included in a group of transactions, where the equity investment held before the date of business combination is accounted under equity method, the sum of the carrying amount of the equity investment held by the acquiree before the date of acquisition and the cost of new investment on the date of acquisition are recognized as the initial investment cost of such investment; for the other comprehensive income recognized under equity method on the equity investment held before the date of acquisition is accounted on the same basis as adopted for direct disposal of relevant assets or liabilities of the investee. Where the equity investment held before the date of business combination is accounted based on the recognition and measurement standards for financial instruments, the sum of the fair value of such equity investment on the date of business combination and the new investment cost are accounted as the initial investment cost on the date of business combination. The difference between the fair value of the original equity and its carrying amount and the accumulative fair value changes originally included in the other comprehensive income are transferred to current investment income on the date of business combination.

#### 4. Relevant expenses in relation to business combination

All directly related fees for audit, legal, assessment and consultation occurred for the purpose of business combination are credited in profit or loss in the period when they incurred; trading fees for issue of equity securities occurred for the purpose of business combination shall be included in equity transaction and directly charged to equity.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (VII) Preparation of Combined Financial Statements

#### 1. Scope of Combination

The scope of combination of the combined financial statements of the Company is determined on the basis of control. All subsidiaries (including individual entities controlled by the Company) are included in the combined financial statements.

#### 2. Procedures of Combination

The combined financial statements shall be prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant information. When the Company prepares combined financial statements, the whole Company is considered as a single accounting entity pursuant to recognition, measurement and presentation requirements of relevant ASBEs and based on the consistent accounting policies to reflect the Company's overall financial position, operating results and cash flows.

All subsidiaries within the scope of combination of the combined financial statements shall adopt the same accounting policies and financial period as the Company. If there is any inconsistency between the accounting policies or financial period adopted by the subsidiaries and the Company, the combined financial statements of subsidiaries are adjusted according to the accounting policies or financial period adopted by the Company as necessary.

When consolidating the financial statements, the effects on the combined balance sheets, combined statements of income, combined statements of cash flow and combined statements of changes in shareholders' equity due to internal transactions between the Company and its subsidiaries and among the subsidiaries shall be offset. For the combined financial statements of the Company, when there is divergence in the recognition of a single transaction between the Company and its subsidiaries as an accounting entity, the Company's position shall be taken up for adjustment on such transaction.

The owner's equity, the net profit or loss and the comprehensive income attributable to minority shareholders of a subsidiary of the current period are presented separately under the owners' equity in the combined balance sheet, the net profit and the total comprehensive income in the combined statement of income. Where losses attributable to the minority shareholders of a subsidiary during the period exceed the minority shareholders' interest entitled in the owners' equity of the subsidiary at the beginning of the period, the excess is eliminated in the minority shareholders interest.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (VII) Preparation of Combined Financial Statements (Continued)

#### 2. Procedures of Combination (Continued)

For a subsidiary under the common control and was acquired through business combination, the financial statements shall be adjusted based on the carrying amount of its assets and liabilities (including the goodwill incurred by the ultimate controlling party's acquisition of the subsidiary) in the ultimate controlling party's financial statements.

For a subsidiary not under the same control and was acquired through business combination, the financial statements should be adjusted based on the fair value of the identifiable net assets at the acquisition date.

#### (1) *Addition of subsidiary or business*

For acquisition of subsidiary or business due to business combination involving entities under common control during the Reporting Period, the opening balance of the combined balance sheet shall be adjusted; the revenue, expense and profit of such subsidiary or business combination from the beginning to the end of the Reporting Period when the merger occurs are included in the combined statement of income; the cash flows of such subsidiary or business combination from the beginning to the end of the Reporting Period when the merger occurs are included in the combined statement of cash flow, and the comparative figures of the financial statements shall be adjusted simultaneously as if the combined reporting entity had been in existence since the beginning of the control by the ultimate controlling party.

An investor that may impose control over the investee under common control due to additional investment shall be deemed a party participating in the combination, and shall be adjusted at current existence status when the ultimate controlling party begins the control. The equity investment held before gaining the control of the combined party is recognized as relevant profit or loss, other comprehensive income and changes in other net assets at the later of the date of acquisition of the original equity and the date when the combining and the combined parties are under common control, and shall be written down to the opening balance of retained earnings or profit or loss for the period in the comparative reporting period.

For acquisition of subsidiaries or business due to business combination involving entities not under common control during the Reporting Period, the opening balance of combined balance sheet needs not be adjusted; the revenue, expense and profit of such subsidiaries or business from the date of acquisition to the end of the Reporting Period are included in the combined statement of income; the cash flows of such subsidiaries or business from the date of acquisition to the end of the Reporting Period are included in the combined statement of cash flow.





# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (VII) Preparation of Combined Financial Statements (Continued)

#### 2. Procedures of Combination (Continued)

##### (1) *Addition of subsidiary or business (Continued)*

In connection with imposing control over the investee not under common control as a result of additional investment and other reasons, the equity of acquiree held before acquisition date shall be remeasured by the Company at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognized as investment income in current period; if the acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment income on the date of acquisition in current period, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

##### (2) *Disposal of subsidiaries or business*

###### 1) General treatment

For disposal of subsidiaries or business during the Reporting Period, the revenue, expense and profit of such subsidiaries or business from the beginning of the period to the date of disposal are included in the combined statement of income; the cash flows of such subsidiaries or business from the beginning of the period to the date of disposal are included in the combined statement of cash flow.

Where control of the investee is lost due to partial disposal of the equity investment, or any other reasons, the remaining equity investment is remeasured at fair value at the date in which control is lost by the Company. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the difference between the sum of the Company's previous share of the subsidiary's net assets continuously calculated on the basis of the original share proportion and the sum of goodwill, is recognized in investment income in the period in which control is lost. Other comprehensive income or net profit and loss related to the previous equity investment in the subsidiary, changes in other owner's equity except the other comprehensive income and profit distribution, are transferred to investment income of the current period when control is lost, except the other comprehensive income as a result of the changes arising from the remeasurement of the net liabilities and net assets of the investee's defined benefit plan.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (VII) Preparation of Combined Financial Statements (Continued)

#### 2. Procedures of Combination (Continued)

##### (2) Disposal of subsidiaries or business (Continued)

##### 2) Step disposal of subsidiary

When disposal of equity investment in subsidiaries through multiple transactions until control is lost, generally transactions in stages are treated as a group of transactions in accounting if the transaction terms, conditions, and economic impact of all transactions of disposal of the equity investments in subsidiary satisfy one or more of the following:

- A. These transactions are entered at the same time or the mutual effects on each other are considered;
- B. A complete set of commercial results can be achieved with reference to the series of transactions as a whole;
- C. Achieving a transaction depends on at least achieving of one of the other transaction;
- D. One transaction recognized separately is not economical, but it is economical when considered together with other transactions.

If losing control of a subsidiary in disposal of equity interests through multiple transactions is recognized as a group of transactions, these transactions shall be treated as a transaction for disposal of a subsidiary and losing control of a subsidiary. However, the differences between the amount received each time for disposal before the control is lost and the Company's share in the subsidiary's net assets corresponding to the investment disposal shall be recognized in other comprehensive income in the combined financial statements, and included in profit or loss for the period when the control is lost.

If all transactions in disposal of equity interests of subsidiaries until losing control are not considered as a group of transactions, relevant accounting policies for partial disposal of equity investments of subsidiary without losing control shall be applied before control is lost. When control is lost, general accounting treatment for disposal of a subsidiary shall be applied.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (VII) Preparation of Combined Financial Statements (Continued)

#### 2. Procedures of Combination (Continued)

##### (3) *Acquisition of minority interest of subsidiary*

The Company shall adjust the share premium in the capital reserve of the combined balance sheet with respect to any difference between the long-term equity investment arising from the purchase of minority interest and the net assets attributing to the Company continuously calculated on the basis of the newly increased share proportion as of the acquisition date (or date of combination), and adjust the retained earnings in case the share premium in the capital reserve is insufficient for offsetting.

##### (4) *Partial disposal of equity investment in subsidiary without losing control*

The difference between disposal consideration of long-term equity investment in subsidiaries partially disposed by the Group without losing control and the share of net assets continuously calculated from the date of acquisition or combination date shall be adjusted to share premium in the capital reserve in the combined balance sheet. Adjustments shall be made to retained earnings in the event that the share premium in the capital reserve is not sufficient for offsetting.

### (VIII) Classification of Joint Arrangements and Accounting Treatment Method for Joint Operations

#### 1. Classification of joint venture arrangements

The Company classifies the joint venture arrangements into joint venture and joint operation according to the structure, legal form of joint venture arrangement, the terms agreed in the arrangement, other relevant matters and situations.

Any joint venture arrangement that is not achieved by a separate entity shall be classified as a joint operation. Any joint venture arrangement that is achieved by a separate entity shall be generally classified as a joint venture. But if a joint venture arrangement is conclusively proved to meet any of the following conditions and meets the provisions of relevant laws and regulations, it shall be classified as joint operation:

- (1) its legal form shows the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.
- (2) contract terms of the joint venture arrangement stipulate that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement.
- (3) other relevant facts and situations show that the joint ventures enjoy rights to and assume obligations for relevant assets and liabilities respectively in the arrangement. For example, the joint ventures enjoy almost all output related to the arrangement and repayment of liabilities in the arrangement consecutively relies on the joint ventures' supports.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (VIII) Classification of Joint Arrangements and Accounting Treatment Method for Joint Operations (Continued)

#### 2. Accounting treatment method for joint operation

The Company recognizes the following items related to its share of benefits in the joint operation and conducts accounting treatment in accordance with relevant ASBEs:

- (1) assets it solely holds and its share of jointly-held assets based on its percentage;
- (2) liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;
- (3) incomes from sale of output enjoyed by it from the joint operation;
- (4) incomes from sale of output from the joint operation based on its percentage;
- (5) separate costs and costs for the joint operation based on its percentage.

When the Company invests or sells assets to the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognised before such assets and others are sold by the joint operation to a third party. If the invested or sold assets are of impairment loss subject to ASBE 8 — Impairment of Assets and other provisions, the Company shall recognise such loss in full.

When the Company purchases assets and others from the joint operation (except for assets that constitute business), only that part of profits or losses from the transaction attributable to other participants to the joint operation shall be recognised before such assets and others are sold to a third party. If the purchased assets are of impairment loss subject to ASBE 8 — Impairment of Assets and other provisions, the Company shall recognise its part of such loss based on its percentage.

If the Company has no common control over a joint operation but enjoys and assumes relevant assets and liabilities of the joint operation, it shall conduct accounting treatment in accordance with aforesaid principles, or it shall do the same in accordance with relevant ASBEs.

### (IX) Determination of Cash and Cash Equivalents

In preparing the cash flow statement, the cash on hand and deposits that are available for payment at any time of the Company are recognized as cash. The short-term (due within 3 months of the date of purchase) and highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of change in value are recognized as cash equivalents.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (X) Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

#### 1. Foreign Currency Transactions

In initial recognition, foreign currency transactions shall be converted into RMB at the spot exchange rate on the day when the transactions occurred.

At the balance sheet date, monetary items denominated in foreign currency are converted using the spot exchange rate on the balance sheet date. Exchange differences shall be recorded into profit or loss for the current period, except for those arising from specific borrowings denominated in foreign currency related to the purchase of assets qualified for capitalization, which should be capitalized as cost of the borrowings. Translation of non-monetary items denominated in foreign currency and measured at historical cost shall continue to be based on the spot exchange rate on the date of transaction, without changing the amount in its functional currency.

Non-monetary items in foreign currency carried at fair value are converted using the spot exchange rate prevailing on the date when such fair value was determined. The difference between the functional currency amount and the amount of the original functional currency amount is treated as changes in fair value (including changes in exchange rates), which shall be included in current profit or loss or recognized as other comprehensive income.

### (XI) Financial Instruments

A financial asset or financial liability is recognized when the Company becomes a party to a financial instrument contract.

The actual interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and amortizing interest income or interest expenses into each accounting period.

The actual interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability over the expected useful life to the carrying amount of the financial asset or the amortized cost of the financial liability. When determining the actual interest rate, the expected cash flow is estimated on the basis of considering all contractual terms of financial assets or financial liabilities (such as early repayment, rollovers, call options or other similar options, etc.), but the expected credit losses are not considered.

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognized net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognized and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 1. Classification, recognition and measurement of financial assets

The Company classifies financial assets into the following 3 categories based on the business model of the financial assets under management and the contractual cash flow characteristics of financial assets:

- (1) Financial assets measured at amortized cost.
- (2) Financial assets measured at fair value through other comprehensive income.
- (3) Financial assets measured at fair value through profit or loss.

Financial assets are measured at fair value at initial recognition, but if the trade receivables or bills receivable due to the sale of goods or the provision of services do not contain a significant financing component or do not consider financing components not exceeding one year, the transaction price will be used for initial measurement.

For financial assets measured at fair value through profit or loss, the related transaction costs are directly included in the current profit and loss, and other types of financial assets related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial assets depends on their classification, and all affected financial assets are reclassified if and only if the Company changes the management of business model of financial assets.

#### *(1) Classified as financial assets measured at amortized cost*

The contractual provisions of the financial assets stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount, and the goal of the business model for managing the financial asset is to collect contractual cash flow, the Company classifies the financial assets as financial assets measured at amortized cost. The Company classifies financial assets measured at amortized cost including monetary funds, trade receivables, other receivables, long-term receivables and debt investment.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 1. Classification, recognition and measurement of financial assets (Continued)

##### (1) *Classified as financial assets measured at amortized cost (Continued)*

The Company uses the effective interest rate method to recognize interest income for such financial assets, and then performs subsequent measurement based on amortized cost. The gains or losses arising from the impairment or termination of recognition and modification are included in the current profit and loss. Except for the following circumstances, the Company calculates and determines interest income based on the financial asset's book balance multiplied by the actual interest rate:

- 1) For financial assets purchased or originated that have suffered credit impairment, the Company has calculated and determined its interest income based on the amortized cost of the financial asset and the credit-adjusted actual interest rate since initial recognition.
- 2) For the financial assets purchased or originated without credit impairment, but become credit impaired in the subsequent period, the Company will calculate and determine the interest income based on the amortized cost of the financial asset and the actual interest rate in the subsequent period. If the financial instrument has no credit impairment due to the improvement of its credit risk in the subsequent period, the Company will use the actual interest rate multiplied by the financial asset's book balance to calculate and determine the interest income.

##### (2) *Financial assets classified as measured at fair value through other comprehensive income*

The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the amount of the outstanding principal, and the business model for managing the financial asset is to both target to collect the contractual cash flow and to sell such financial asset, the Company classifies the financial asset as a financial asset that is measured at fair value and its changes are included in other comprehensive income.

The Company uses the effective interest rate method to recognize interest income for such financial assets. Except for interest income, impairment losses and exchange differences recognized as current profits and losses, the remaining changes in fair value are included in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in the current profit and loss.

Bills receivable and trade receivables that are measured at fair value and whose changes are included in other comprehensive income are reported as financing receivable, and other such financial assets are reported as other debt investments, including other debt investments due within the year are reported as non-current assets due within one year, and other debt investments with original maturity within one year are reported as other current assets.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 1. Classification, recognition and measurement of financial assets (Continued)

##### (3) *Financial assets designated to be measured at fair value through other comprehensive income*

The Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income on the basis of individual financial assets.

Changes in the fair value of such financial assets are included in other comprehensive income, and no impairment provision is required. When the financial asset is derecognized, the cumulative gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings. During the period when the Company holds the equity instrument investment, the Company's right to receive dividends has been established, and the economic benefits related to the dividends are likely to flow into the Company, and when the amount of dividends can be reliably measured, the dividend income is recognized and included in the current profit and loss. The Company presents the following investment items of such financial assets in other equity instruments.

Equity instrument investment that meets one of the following conditions is a financial asset measured at fair value through profit or loss: the purpose of obtaining the financial asset is mainly for recent sale; the initial confirmation is part of the centralized management of the identifiable financial asset instrument portfolio, and there is objective evidence that the short-term profit model actually exists in the near future; is a derivative (except for derivatives that meet the definition of a financial guarantee contract and are designated as effective hedging instruments).

##### (4) *Financial assets classified as measured at fair value through profit or loss*

Financial assets that do not meet the requirements for classification as a financial asset measured at amortized cost or measured at fair value through other comprehensive income, and are not designated as financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

The Company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value and dividends and interest income related to such financial assets are included in the current profit and loss.

The Company reports such financial assets in held-for-trading financial assets and other non-current financial assets based on their liquidity.





# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 1. Classification, recognition and measurement of financial assets (Continued)

##### (5) *Financial assets designated to be measured at fair value through profit or loss*

At initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Company may irrevocably designate the financial assets as financial assets measured at fair value through profit or loss on the basis of individual financial assets.

If the hybrid contract includes one or more embedded derivatives and the main contract does not belong to the above financial assets, the Company may designate the whole as a financial instrument measured at fair value through profit or loss. Except in the following cases:

- 1) The embedded derivatives do not materially change the cash flow of a hybrid contract.
- 2) When it is first determined whether a similar hybrid contract needs to be split, there is little need for analysis to make it clear that the embedded derivatives it contains should not be split. If the prepayment right of the embedded loan allows the holder to repay the loan in advance with an amount close to the amortized cost, the prepayment right does not need to be split.

The Company uses fair value for subsequent measurement of such financial assets, and the gains or losses resulting from changes in fair value and dividends and interest income related to such financial assets are included in the current profit and loss.

The Company reports such financial assets in held-for-trading financial assets and other non-current financial assets based on their liquidity.

#### 2. Classification, recognition and measurement of financial liabilities

Financial instruments issued by the Company are classified into financial liabilities or equity instruments on the basis of the substance of the contractual terms and the economic nature reflected but not only its legal form, together with the definition of financial liability and equity instruments on initial recognition. Financial liabilities are classified at initial recognition as: financial liabilities measured at fair value through profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities that are measured at fair value through profit or loss, the related transaction costs are directly included in the current profit and loss; for other types of financial liabilities, the related transaction costs are included in the initial recognition amount.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 2. Classification, recognition and measurement of financial liabilities (Continued)

The subsequent measurement of financial liabilities depends on their classification:

##### (1) *Financial liabilities measured at fair value through profit or loss*

This category includes held-for-trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as measured at fair value through profit or loss.

Meeting one of the following conditions is a held-for-trading financial liability: the purpose of assuming relevant financial liabilities is mainly to sell or repurchase in the near future; it is part of a centrally managed portfolio of identifiable financial instruments, and there is objective evidence that the Company recently adopted short-term profit model; belongs to derivatives, except for derivatives designated as effective hedging instruments and derivatives that comply with financial guarantee contracts. Held-for-trading financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. Except for hedge accounting, all changes in fair value are included in the current profit and loss.

In the initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities measured at fair value through profit or loss:

- 1) Can eliminate or significantly reduce accounting mismatches.
- 2) Manage and evaluate the financial liability portfolio or financial assets and financial liabilities portfolio based on fair value according to the enterprise risk management or investment strategy specified in the official written documents, and on top of this basis, report to key management personnel.

The Company uses fair value for subsequent measurement of such financial liabilities. Except for changes in fair value caused by changes in the Company's own credit risk, which are included in other comprehensive income, other changes in fair value are included in the current profit and loss. Unless including the fair value changes caused by the Company's own credit risk changes in other comprehensive income will cause or expand the accounting mismatch in profit or loss, the Company will include all fair value changes (including the amount of its own credit risk changes) in the current profit and loss.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 2. Classification, recognition and measurement of financial liabilities (Continued)

##### (2) *Other financial liabilities*

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized cost, the actual interest rate method is adopted for such financial liabilities, and subsequent measurement is made based on the amortized cost, and the gains or losses arising from derecognition or amortization are included in the current profit and loss:

- 1) Financial liabilities measured at fair value through profit or loss.
- 2) Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or continuing involvement of the transferred financial assets.
- 3) Financial guarantee contracts not classified as those specified in the two preceding items above, and loan commitment for loans to be granted at an interest rate below the market rate which is not classified as those specified in the above item 1).

Financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered a loss when the specific debtor fails to pay the debt in accordance with the original or modified debt instrument terms. For financial guarantee contracts that are not designated as financial liabilities measured at fair value through profit or loss, after the initial recognition, they are measured according to the higher of the provisions for losses and the initially recognized amount after deducting the accumulated amortization amount during the guarantee period.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 3. Derecognition of financial assets and financial liabilities

(1) Financial assets that meet one of the following conditions shall be derecognized, that is to be written off from the accounts and the statement of financial position:

- 1) The contractual right to receive the cash flow of the financial assets is terminated.
- 2) The financial assets have been transferred, and the transfer meets the requirements regarding the derecognition of financial assets.

#### (2) *Conditions for derecognition of financial liabilities*

If the current obligation of a financial liability (or part of it) has been discharged, the financial liability (or part of the financial liability) is derecognized.

When the Company and the lender enter into an agreement to replace the original financial liabilities with new financial liabilities, and the contract terms of the new financial liabilities and the original financial liabilities are substantially different, or if a substantial change is made to the contractual terms of the original financial liability (or a part thereof), the original financial liabilities are derecognized and new financial liabilities are recognized; and the difference between the carrying amount and the consideration paid (including the transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

If the Company repurchases part of the financial liabilities, the carrying amount of the financial liabilities as a whole is allocated based on the proportion of the fair value of the continuing recognition portion and the derecognition portion on the repurchase date. The difference between the carrying amount assigned to the derecognition portion and the consideration paid (including the transferred non-cash assets or liabilities assumed) shall be included in the current profit and loss.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 4. Recognition basis and measurement method of transfer of financial assets

In the event of transfer of a financial asset, the Company assesses the extent to which it retains the risks and rewards of ownership of financial assets and treats them in the following cases:

- (1) If almost all risks and rewards of ownership of financial assets are transferred, the financial assets are derecognized and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.
- (2) If all the risks and rewards of ownership of financial assets are retained, the financial assets will continue to be recognized.
- (3) There is neither transfer nor retention of almost all risks and rewards of ownership of financial assets (ie, other than (1), (2)), depending on whether they retain control over financial assets, respectively, the situations are handled as follows:
  - 1) If the control over the financial assets is not retained, the financial assets are derecognised and the rights and obligations arising or retained in the transfer are separately recognized as assets or liabilities.
  - 2) If the control over the financial assets is retained, the relevant financial assets shall continue to be recognized according to the extent to which they continue to be involved in the transfer of financial assets, and related liabilities are recognized accordingly. The extent of continuing involvement in the transfer of financial assets refers to the extent to which the Company assumes the risk or reward of changes in the value of the transferred financial assets.

When determining whether the transfer of financial assets satisfies the above-mentioned conditions for derecognition of financial assets, the principle of substance over form is adopted. The Company divides the transfer of financial assets into overall transfer and partial transfer of financial assets:

- (1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts is included in the current profit and loss:
  - 1) The carrying amount of the transferred financial assets on the derecognition date.
  - 2) The sum of the consideration received from the transfer of the financial asset and the amount of the corresponding derecognized part in the accumulated changes in fair value previously recorded directly in other comprehensive income (the financial assets involved in the transfer are financial asset measured at fair value through other comprehensive income).



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 4. Recognition basis and measurement method of transfer of financial assets (Continued)

(2) If the financial assets are partially transferred and the transferred part as a whole meets the conditions for derecognition, the entire carrying amount of the financial asset transferred shall be proportionally amortised between the derecognised portion and the retained portion (in this case, the retained service assets shall be deemed to be part of the continuing recognition of the financial assets) according to their respective relative fair value on the transfer date. Then, the balance between the following two amounts will be included in the current profit and loss:

- 1) The carrying amount of the derecognition part on the derecognition date.
- 2) The sum of the consideration received from the derecognized part and the amount corresponding to the derecognized part in the accumulated amount of the fair value change that is previously included in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income).

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets continue to be recognized and the consideration received is recognized as a financial liability.

#### 5. Determination of the fair value of financial assets and financial liabilities

When the financial assets or financial liabilities are in an active market, the quoted prices in active markets are used to determine their fair values, unless such financial assets have a restricted period. For financial assets which have restricted period, their fair values are determined by the quoted prices in active markets less the compensation amount requested by market players for assuming the risk of not able to sell such financial assets in the public market during the designated period. Quoted prices in active markets include those related assets or liabilities which can be easy and regular to get from the exchange, traders, brokers, industry groups, pricing mechanism or regulatory agencies and can represent the actual and often occur in even bargain basis market transactions.

For financial assets initially obtained or derived or financial liabilities assumed, fair value is determined based on market transaction prices.

For financial assets and financial liabilities that no actively traded market exists, their fair values are determined using valuation techniques. During valuation, the Company adopts valuation techniques that are available in the current circumstances and are supported by enough available data and other information, and choose input value with same features used by market players for transactions of relevant assets or liabilities, and managed to preferentially use relevant observable input value. Under the circumstance that is unable to obtain observable input value or it is infeasible, unobservable input value will be used.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 6. Impairment of financial instruments

Based on the expected credit losses, the Company conducts impairment accounting treatment and recognizes loss provisions for financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial guaranteed contracts.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original actual interest rate (i.e. the present value of all cash shortfalls). Among them, the financial assets purchased or originated by the Company that have suffered credit impairment should be discounted at the credit-adjusted actual interest rate of the financial asset.

For the receivables formed by the transactions regulated by the income standards, the Company uses a simplified measurement method to measure the loss provision based on the amount equivalent to the expected credit loss throughout the entire period.

For financial assets purchased or originated that have suffered credit impairment, on the balance sheet date, only the cumulative changes in expected credit losses throughout the useful life since initial recognition are recognized as loss provisions. On each balance sheet date, the amount of change in expected credit losses throughout the useful life is included in the current profit and loss as an impairment loss or gain. Even if the expected credit loss throughout the useful life determined on the balance sheet date is less than the amount of expected credit loss reflected in the estimated cash flow at initial recognition, the favorable change in expected credit loss is recognized as an impairment gain.

In addition to the above-mentioned simplified measurement methods and other financial assets purchased or originated that suffered from credit impairment, on each balance sheet date, the Company assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition, and measure their loss provisions and recognize expected credit losses and their changes according to the following circumstances:

- (1) If the credit risk of the financial instrument has not increased significantly since the initial recognition, it is in the first stage, the loss provision is measured at the amount equivalent to the expected credit loss of the financial instrument in the next 12 months, and the interest income is calculated according to the book balance and the actual interest rate.
- (2) If the credit risk of the financial instrument has increased significantly since the initial recognition, however, if credit impairment has not occurred, it is in the second stage, the loss provision is measured at the amount equivalent to the expected credit loss throughout the useful time of the financial instrument, and the interest income is calculated according to the book balance and the actual interest rate.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 6. Impairment of financial instruments (Continued)

- (3) If the financial instrument has suffered credit impairment since its initial recognition, it is in the third stage. The Company measures its loss provisions at an amount equivalent to the expected credit loss throughout the useful life of the financial instrument, and the interest income is calculated at amortized cost and actual interest rate.

The increase or reversal of the credit loss provision for financial instruments is included in the current profit and loss as an impairment loss or gain. Except for financial assets that are classified as measured at fair value through other comprehensive income, credit losses are provided to offset the book balance of financial assets. For financial assets classified as measured at fair value through other comprehensive income, the Company recognizes its credit loss provisions in other comprehensive income and does not reduce the carrying amount of the financial asset listed in the balance sheet.

In the previous accounting period, the Company has measured the loss provisions according to the amount of expected credit losses throughout the useful life of the financial instrument, but on the balance sheet date of the current period, for financial instrument that no longer has a significant increase in credit risk since initial recognition, the Company measures the loss provisions of the financial instrument at the current balance sheet date according to the amount of expected credit losses in the next 12 months, and the resulting reversal amount of the loss provisions is included in the current profit and loss as an impairment gain.

#### (1) *Credit risk increased significantly*

The Company uses the available, reasonable and evidence-based forward-looking information to compare the default risk of the financial instruments on the balance sheet date and the default risk of the financial instruments on the initial recognition date to determine whether the credit risk of the financial instrument has significantly increased since initial recognition. For financial guarantee contracts, when the Company applies provisions of impairment of financial instrument, the day when the Company becomes the party making the irrevocable commitment is used as the initial recognition date.

The Company will consider the following factors when assessing whether the credit risk has increased significantly:

- 1) Whether the actual or expected operating results of the debtor have changed significantly;
- 2) Whether the debtor's regulatory, economic or technological environment has undergone significant adverse changes;





# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 6. Impairment of financial instruments (Continued)

##### (1) Credit risk increased significantly (Continued)

- 3) Whether there has been a significant change in the value of the collateral used as debt collateral or the guarantee provided by a third party or the quality of credit enhancement, and these changes are expected to reduce the economic motivation of the debtor to repay the loan within the time limit specified in the contract or affect the probability of default;
- 4) Whether the debtor's expected performance and repayment behaviour have changed significantly;
- 5) Whether the Company's credit management methods for financial instruments have changed, etc.

On the balance sheet date, if the Company determines that a financial instrument has a relatively low credit risk, the Company assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. If the default risk of the financial instruments is relatively low, the borrower has a strong ability to fulfil its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower's ability to fulfil the contractual cash flow obligation, the financial instrument is considered to have lower credit risk.

##### (2) Financial assets with credit impairment

When one or more events that adversely affect the expected future cash flows of a financial asset occur, the financial asset becomes a financial asset that has suffered a credit impairment. Evidence that credit losses have occurred in financial assets includes the following observable information:

- 1) significant financial difficulty of the issuer or debtor;
- 2) breach of contract by the debtor, such as delinquency or default in interest and principal payments;
- 3) the creditor(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor(s) would not otherwise consider;
- 4) it is probable that the debtor will enter bankruptcy or financial reorganization;



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 6. Impairment of financial instruments (Continued)

##### (2) *Financial assets with credit impairment (Continued)*

- 5) the disappearance of active markets for that financial asset because of financial difficulties of the issuer or debtor;
- 6) a substantial discount during acquisition or sourcing of a financial asset reflects the fact the occurrence of credit losses.

The credit impairment of financial assets may be caused by the joint impacts of multiple events, which may not be necessarily caused by separate identifiable events.

##### (3) *Determination of expected credit losses*

The Company assesses the expected credit losses based on an individual and a collective basis. The Company considers reasonable and supportable information about past events, current conditions and forecasts of future economic conditions when assessing the expected credit losses.

The Company divides financial instruments into different portfolio based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include: types of financial instruments, credit risk ratings, aging portfolios, overdue aging portfolios, contract settlement cycles, and the debtor's industry. For the individual evaluation criteria of the related financial instruments and the characteristics of the credit risk of portfolio, please refer to the accounting policies of the relevant financial instruments.

The Company determines the expected credit losses of relevant financial instruments according to the following methods:

- 1) For financial assets, the credit loss is the present value of the difference between the contractual cash flow that the Company should receive and the expected cash flow.
- 2) For rental receivables, the credit loss is the present value of the difference between the contractual cash flow that the Company should receive and the expected cash flow.
- 3) For a financial guarantee contract, the credit loss is the present value of the difference between the estimated payment to the contract holder by the Company for the credit loss less the expected amount received by the Company from the contract holder, debtor or any other party.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XI) Financial Instruments (Continued)

#### 6. Impairment of financial instruments (Continued)

##### (3) *Determination of expected credit losses (Continued)*

- 4) For a financial asset that is credit-impaired at the balance sheet date, but that is not a purchased or originated credit-impaired financial asset, the credit loss is the present value of the difference between the financial asset's book balance and the estimated future cash flow discounted at the original effective interest rate.

The Company's method of measuring the expected credit loss of financial instruments reflects the following factors: the unbiased probability weighted average amount determined by evaluating a series of possible results; the time value of currency; the availability of reasonable and evidence-based information on the balance sheet date about past events, current conditions, and future economic conditions without spending unnecessary additional costs or efforts.

##### (4) *Written-off of financial assets*

When the Company no longer reasonably expects that the contractual cash flow of financial assets can be fully or partially recovered, the carrying amount of the financial asset is directly written off. Such write-off constitutes the derecognition of related financial assets.

#### 7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented in the balance sheet respectively and are not offset with each other. However, the net value after the offset is presented in the balance sheet when the following conditions are satisfied:

- (1) The Company has the legal right to offset the recognized amount and such right is exercisable;
- (2) The Company plans to settle by net amount or realize the financial assets and repay the financial liabilities at the same time.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XII) Bills Receivable

For details of the Company's determination method and accounting treatment of the expected credit loss of bills receivable, please refer to Note IV (XI) — 6. Impairment of financial instruments.

When it is possible to evaluate the sufficient evidence of expected credit loss at a reasonable cost at the individual instrument level, the Company individually recognizes the credit loss of bills receivable.

When it is impossible to evaluate the sufficient evidence of expected credit loss at a reasonable cost at the individual instrument level, the Company refers to the historical credit loss experience combined with current situation and the judgment of the future economic situation, and divides the bills receivable into several portfolios based on the characteristics of credit risk and calculate expected credit losses on a portfolio basis. The basis for determining the portfolio is as follows:

Portfolio name	Basis for determining the portfolio	Provision method
Risk-free bank acceptance bills portfolio	The acceptor has a relatively high credit rating, has not historically defaulted on a bill, has a very low credit loss risk, and has a strong ability to perform its contractual cash flow obligations in the short term	Make reference to historical credit loss experience, combine with current and expected economic situation in the future to measure the allowance for bad debts
Commercial acceptance bills	The acceptor is a company that has a certain risk of credit impairment	Ageing analysis

### (XIII) Trade Receivables

For details of the determination method and accounting treatment of the expected credit loss of the Company's trade receivables, please refer to Note IV/(XI) — 6. Impairment of financial instruments.

When it is possible to evaluate the sufficient evidence of expected credit loss at a reasonable cost at the individual instrument level, the Company individually recognizes the credit loss of trade receivables.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XIII) Trade Receivables (Continued)

When it is impossible to assess the sufficient evidence of expected credit loss at a reasonable cost at the level of a single tool, the Company refers to historical credit loss experience, combines the current situation and the judgment of the future economic situation, and divides the trade receivables into several portfolios based on the characteristics of credit risk, and calculate expected credit losses on a combined basis. The basis for determining the portfolio is as follows:

Portfolio name	Basis for determining the portfolio	Provision method
Ageing analysis portfolio	Trade receivables other than "related party portfolio"	The Company make reference to historical credit loss experience, combine with current and expected economic situation by using default risk exposure and a lifetime credit loss rate to measure the expected credit loss.
Related party portfolio	Trade receivables from Shareholders and related parties	Make reference to historical credit loss experience, combine with current and expected economic situation to measure the expected credit loss

### (XIV) Trade Receivables Financing

For details of the determination method and accounting treatment of the expected credit losses of the Company's trade receivables financing, please refer to Note IV/(XI) — 6. Impairment of financial instruments.

### (XV) Other Receivables

For details of the determination method and accounting treatment of the expected credit losses of other receivables of the Company, please refer to Note IV/(XI) — 6. Impairment of financial instruments.

When it is possible to evaluate the sufficient evidence of expected credit loss at a reasonable cost at the individual instrument level, the Company individually recognizes the credit loss of other receivables.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XV) Other Receivables (Continued)

When it is impossible to assess the sufficient evidence of expected credit loss at a reasonable cost at the level of a single tool, the Company refers to historical credit loss experience, combines the current situation and the judgment of the future economic situation, and divides the receivables into several portfolios based on the characteristics of credit risk, and calculate expected credit losses on a combined basis. The basis for determining the portfolio is as follows:

Portfolio name	Basis for determining the portfolio	Provision method
Low risk portfolio	Recovery of other receivables with lower risk, including deposits and retention monies, individual income tax receivables and VAT refund receivables, etc.	Make reference to historical credit loss experience, combine with current and expected economic situation to measure the provision for expected credit loss
Related party portfolio	Other receivables from Shareholders and related parties	Make reference to historical credit loss experience, combine with current and expected economic situation to measure the provision for expected credit loss
Other receivables	Other receivables other than the abovementioned portfolio	The Company make reference to historical credit loss experience, combine with current and expected economic situation by using default risk exposure and a 12-month or lifetime credit loss rate to measure the expected credit loss

### (XVI) Inventories

#### 1. Classification of inventories

Inventories refer to the completed products or merchandize, semi-finished products under production process, and materials and items consumed during production or provision of labor services which are held for sale by the Company over the course of ordinary activities. These mainly include raw materials, turnover materials and inventories.

#### 2. Valuation of inventories

Inventories are initially measured at cost upon acquisition, which includes procurement costs, processing costs and other costs. The value of inventories is calculated on first-in-first-out basis when they are delivered.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XVI) Inventories (Continued)

#### 3. Determination criteria for the net realizable value of inventories and provision for inventory impairment

When a comprehensive count of inventories is done at the end of the period, provision for inventory impairment is allocated or adjusted using the lower of the cost of inventory and the net realizable value. The net realizable value of stock in inventory (including finished products, inventory merchandize and materials for sale) that can be sold directly is determined using the estimated saleable price of such inventory deducted by the cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of material in inventory that requires processing is determined using the estimated saleable price of the finished product deducted by the cost to completion, estimated cost of sales and relevant taxation over the course of ordinary production and operation. The net realizable value of inventory held for performance of sales contract or labor service contract is determined based on the contractual price; in case the amount of inventory held exceeds the contractual amount, the net realizable value of the excess portion of inventory is calculated using the normal saleable price.

Provision for impairment is made according to individual items of inventories at the end of the period; however, for inventories with large quantity and low unit price, the provision is made by categories; inventories of products that are produced and sold in the same region or with the same or similar purpose or usage and are difficult to be measured separately are combined for provision for impairment.

If the factors causing a previous write-off of inventory value has disappeared, the amount written-off is reversed and the amount provided for inventory impairment is reversed and recognized in profit or loss for the period.

#### 4. Inventory system

Perpetual inventory system.

#### 5. Amortization method of low-value consumables and packaging materials

- (1) Low-value consumables are amortized using the immediate write-off method;
- (2) Packaging materials are amortized using the immediate write-off method;
- (3) Other turnover materials are amortized using the immediate write-off method.

### (XVII) Contract Assets

Contract Asset refers to the Company's right to receive consideration for the goods transferred to the customer and which is determined depending on other factors beyond the passage of time. The Company's unconditional (ie, depends only on the passage of time) right to collect consideration from customers is listed separately as receivables.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XVII) Contract Assets (Continued)

For details of the determination method and accounting treatment of the expected credit losses of the contract assets of the Company, please refer to Note IV/(XI) — 6. Impairment of financial instruments.

### (XVIII) Classified as Held-for-sale

#### 1. Criteria for determining as held for sale

The Company recognizes the non-current assets or disposal groups that meet the following conditions as held for sale:

- (1) the assets or disposal groups can be sold immediately in its present condition based on the convention of similar transactions where such assets or disposal groups are sold;
- (2) It is highly probable that a sale will occur, i.e. the Company has resolved on a plan of sale and has obtained a firm purchase commitment and the sale is expected to be completed within one year.

A firm purchase commitment is a legally-binding purchase agreement between the Company and another party that contains material terms such as the price of the transaction, timing and sufficiently severe penalties for breach of contract to make material adjustments to the agreement or it is highly unlikely to revoke.

#### 2. Accounting methods for determining as held for sale

For non-current assets or disposal groups held for sale, the Company does not measure the depreciation or amortization of such assets. If the carrying amount of a non-current asset or disposal group held for sale is higher than the net fair value less sale costs, the carrying amount should be written down to the net fair value less sale costs. The amount written down should be recognized as an impairment loss of asset and charged to profit or loss for the period, together with a provision for impairment of assets held for sale.

Non-current assets or disposal groups that are classified as held for sale at the date of acquisition are initially measured at the lower of the initial measurement amount that would have been determined had they not been classified as held for sale and the fair value less sale costs.

The above principles apply to all non-current assets, except for investment properties that are subsequently measured using the fair value model, biological assets that are measured using net fair value less sale costs, assets arising from employees' compensation, deferred income tax assets, financial assets governed by accounting standards related to financial instruments and rights arising from insurance contracts governed by accounting standards related to insurance contracts.





# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XIX) Other Debt Investment

For details of the determination and accounting treatment of expected credit losses of other debt investment of the Company, please refer to Note IV/(XI) — 6. Impairment of financial instruments.

### (XX) Long-term Equity Investments

#### 1. Initial determination of investment costs

- (1) For long-term equity investment formed by business combination, details of the specific accounting policies are set out in Note IV/(VI) Accounting Treatments of Business Combinations Involving Entities under Common Control and Entities not under Common Control.
- (2) Long-term equity investments obtained through other means  
Initial investment costs of long-term equity investment obtained through cash payment is determined by the actual consideration paid. The initial investment cost consists of the expenses directly related to the obtainment of the long-term equity investment, taxes and other necessary expenses.

Initial investment costs of long-term equity investment obtained through issuance of equity securities is determined by the fair value of the equity securities issued; trading expenses incurred during insurance or acquisition of equity instrument may be directly deducted from the equity attributable to the equity trade.

The initial investment costs of long-term equity investment obtained in an exchange of non-monetary assets is determined using the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; the initial investment costs of a long-term equity investment in a nonmonetary asset exchange that cannot satisfy the above conditions is determined by the carrying amount of the asset surrendered and the amount of relevant tax payable.

The initial investment costs of a long-term equity investment obtained through debt restructuring is determined based on the fair value.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XX) Long-term Equity Investments (Continued)

#### 2. Subsequent measurement and profit or loss recognition

##### (1) *Cost method*

The Company may adopt the cost method for accounting of the controlling long-term equity investment in the investee, and measure the investment at the initial investment cost, which can be adjusted by addition or recovery of investment.

Except for the price actually paid for obtaining the investment or the cash dividends or profits declared but not yet distributed which is included in the consideration, the Company recognizes cash dividends or profits declared by the investee as current investment gains.

##### (2) *Equity method*

The Company adopts the equity method for accounting of long-term equity investment in joint ventures and associates; where part of the equity investment of the investing party is indirectly held by venture capital institutions, mutual funds, trust companies or similar subjects including unit-linked insurance fund, the investment is measured at fair value, the changes in which are included in the profit and loss.

When the initial investment cost of the long-term equity investment exceeds the share of fair value in the identifiable net assets in the investee, the initial investment cost of a long-term equity investment is not adjusted based on such difference. When the initial investment cost is lower than the share of fair value in the identifiable net assets in the investee, such difference is recognized in profit or loss for the period.

After the Company acquires a long-term equity investment, it shall, in accordance with its attributable share of the net profit or loss and other comprehensive income realized by the investee, recognize the investment income and other comprehensive income respectively and simultaneously adjust the carrying amount of the long-term equity investment. The Company shall, in light of the profits or cash dividends that the invested entity declares to distribute, reduce the carrying amount of the long-term equity investment correspondingly. As to any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the Company shall adjust the carrying amount of the long-term equity investment and include such change into the owners' equity.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XX) Long-term Equity Investments (Continued)

#### 2. Subsequent measurement and profit or loss recognition (Continued)

##### (2) *Equity method (Continued)*

The Company shall, based on the fair value of identifiable net assets of the invested entity when it obtains the investment, recognize its attributable share of the net profit or loss of the investee after it adjusts the net profit of the investee. The profit or loss of the unrealized internal transaction between the Company and the associates, joint ventures shall be offset with the portion attributable to the Company according to the proportion the Company is entitled to, and the gains or losses on investment shall be recognized on such basis.

Recognition of loss in the investee by the Company shall follow this order: firstly, reduce the carrying amount of the long-term equity investments; secondly, if the carrying amount of long-term equity investments is insufficient for such reduction, continue to recognize such investment loss to the extent of the carrying amount of the long-term equity which substantively constitutes the net investment in the investee. Finally, after the above treatment, if the Company still bears additional obligations stipulated under the investment contract or agreement, the estimated obligations assumed are recognized as estimated obligations and recognized in profit or loss for the period.

If the investee records a profit subsequently, after deducting the attributable loss that is not yet recognized, the treatment by the Company shall be the reverse of the above order: reverse the carrying balance of estimated obligations already recognized, restore the carrying amount which substantively constitutes the long-term interests and long-term equity investment in the investee, and recognize investment gain.

#### 3. Change of the accounting methods for long-term equity investments

##### (1) *Change of measurement at fair value to accounting under equity method*

Where the equity investment held by the Company have no control, common control or significant impact on the investee and that are accounted according to the financial instrument recognition and measurement criteria can place significant impact or carry out common control but cannot control the investee due to addition of investment, the sum of the fair value of the equity investment originally held determined subject to ASBE 22— Recognition and Measurement of Financial Instruments and the new investment cost are determined to be the initial investment cost accounted under equity method.

The carrying amount of the long-term equity investment is adjusted by the difference between the fair value shares of the identifiable net assets of the investee on the date of additional investment determined by calculation of the new shareholding proportion after such additional investment and the initial investment cost under equity method, and is included in current non-operating income.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XX) Long-term Equity Investments (Continued)

#### 3. Change of the accounting methods for long-term equity investments (Continued)

##### (2) *Change of measurement at fair value or accounting under equity method to cost method (Continued)*

The equity investment of the investee held by the Company with no control, common control or significant impact and accounted according to the financial instrument recognition and measurement criteria, or the long-term equity investment in associates or joint venture originally held that can be controlled due to addition of investment, the sum of the carrying amount of the original equity investment and the cost of new investment is changed to be accounted under cost method and recognized as the initial investment cost when preparing individual financial statements.

The other comprehensive income recognized due to the adoption of equity method for the equity investment held before the date of acquisition shall be accounted on the same basis for the disposal of relevant assets or liabilities of the investee during the disposal of such investment.

Equity investment held before the date of acquisition shall be subject to the relevant requirements under ASBE 22 — Recognition and Measurement of Financial Instruments and the accumulated fair value changes that were originally included in other comprehensive income shall be included in profit or loss for the period under cost method.

##### (3) *Change of accounting under equity method to measurement at fair value*

Where the Company loses common control or significant impact over the investee due to disposal of part of the equity investment, the remaining equity after disposal shall be subject to accounting under ASBE 22 — Recognition and Measurement of Financial Instruments, and the difference between the fair value on the date when the common control or significant impact is lost and the carrying amount is included in profit or loss for the period.

Other comprehensive income that is recognized due to adoption of the equity method shall be subject to accounting on the same basis for disposal of relevant assets or liabilities of the investee at the time when the equity method is ceased.

##### (4) *Change of cost method to equity method*

Where the Company loses the control over the investee due to disposal of part of the equity investment, and the remaining equity after disposal can place common control or significant impact over investee, it should be changed to equity method in preparing individual financial statements and the remaining equity shall be adjusted as if the equity method is adopted at the acquisition.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XX) Long-term Equity Investments (Continued)

#### 3. Change of the accounting methods for long-term equity investments (Continued)

##### (5) *Change of cost method into measurement at fair value*

Where the Company loses the control over the investee due to disposal of part of the equity investment, and the remaining equity after disposal cannot place common control or significant impact over investee, the accounting should be changed and become subject to relevant requirements under ASBE 22 — Recognition and Measurement of Financial Instruments in preparing individual financial statements, and the difference between the fair value on the date when the control is lost and the carrying amount is included in profit and loss for the period.

#### 4. Disposal of long-term equity investment

On disposal of a long-term equity investment, the difference between its carrying amount and the actual amount from acquisition is recognized in profit or loss for the period. Long-term equity investments that are accounted for using the equity method are accounted for on the disposal of such investments using the same basis as the direct disposal of the related assets or liabilities by the investee, with a corresponding proportion of the portion originally included in other comprehensive income.

If the terms, conditions and economic effects of transactions in relation to the disposal of equity investments in subsidiaries fall in the following one or more situations, multiple transactions are regarded as a group of transactions for accounting treatment:

- (1) these transactions were entered into at the same time or after considering the effects of each other;
- (2) only when regarding these transactions as a whole, can it achieve a complete business result;
- (3) the occurrence of one transaction depends on the occurrence of at least one other transaction;
- (4) a transaction is not economical treated alone, but is economical when considered together with other transactions.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XX) Long-term Equity Investments (Continued)

#### 4. Disposal of long-term equity investment (Continued)

When an entity loses control on its original subsidiary due to partial disposal of equity investment or otherwise, it does not belong to a group of transactions, and the accounting treatment shall be differentiated by separate financial statements and combined financial statements:

- (1) In separate financial statements, for equity disposed, the difference between the carrying amount and the actual payment is included in profit or loss for the period. Where the remaining equity after disposal can implement common control or place significant impact over the investee, the equity method is adopted for accounting treatment, and the remaining equity is adjusted as if the equity method is adopted at the time of acquisition; where the remaining equity after disposal cannot implement common control or place significant impact over the investee, relevant provisions of ASBE 22 — Recognition and Measurement of Financial Instruments shall be adopted for accounting, and the difference between the fair value on the date when the control is lost and the carrying amount is included in profit or loss for the period.
- (2) In combined financial statements, for the transactions before the loss of control over subsidiaries, the capital reserve (share premium) is adjusted by the difference between the price of disposal and the net asset shares of subsidiaries continuously calculated since the date of acquisition or combination corresponding to the long-term equity investment; where the capital reserve is insufficient, retained earnings are adjusted; at the time of loss of control over subsidiaries, the remaining equity are re-measured according to the fair value at the date of loss of control. The difference between the sum of the price acquired for disposal of equity and the fair value of the remaining equity less shares of net assets constantly calculated since the date of acquisition based on the original shareholding proportion is included in the investment income in the period when the control is lost and is written down to good will. Relevant other comprehensive income related to original equity investment in the subsidiaries is transferred to current investment income at the time of loss of control.

Transactions in relation to the disposal of equity investments in subsidiaries until control is lost belong to a group of transactions, and the accounting treatment shall be differentiated by separate financial statements and combined financial statements:

- (1) In separate financial statements, the difference between the carrying amount of the long term equity investment corresponding to disposal price and equity disposed before the loss of control is recognized as other comprehensive income; and transferred as a whole to profit or loss for the period at the time of loss of control.
- (2) In combined financial statements, the difference between the accumulated disposal considerations before control is lost and the share of net assets in the subsidiary is recognized as other comprehensive income, and shall be transferred as a whole to profit or loss for the period when control was lost.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XX) Long-term Equity Investments (Continued)

#### 5. Criteria for determination of common control and significant impact

If the Company collectively control certain arrangement with the other participants as agreed, and the decisions on the activities that may have significant impact on the return of arrangement are subject to consistent agreement from participants sharing the control power, then the Company and the other participants are deemed to have common control over certain arrangement, which is joint venture arrangement.

Where the joint venture arrangement is realized through individual entity, it is judged according to relevant agreement that, when the Company is entitled to the rights over the net assets of such entity, the entity is a joint venture and adopts equity method for accounting treatment. If it is judged according to relevant agreement that, the Company has no rights over the net assets of such entity, such entity is joint operation, and the Company recognize the items in relation to the shares in the joint operation and adopts provisions of relevant ASBEs for accounting treatment.

Significant impact refers to the power of an investing party to participate in making decisions on the financial and operating policies of an invested entity, but not to control or jointly control together with other parties over the formulation of these policies. The Company determines, the significant impact is placed on investee in one or more situations as follows after a comprehensive consideration of all facts and situations: (1) dispatching representatives in the board of directors or similar power organ of the investee; (2) participating in the formulation of the financial and operation policies of the investee; (3) having significant deals with the investee; (4) dispatching management personnel to the investee; and (5) providing key technical information to investee.

### (XXI) Investment Property

Investment property refers to property held to earn rentals or capital appreciation, or both, including land-use rights that have been leased, land-use rights that are held and prepared for transfer after appreciation, and buildings that have been leased. In addition, for the vacant buildings that the Company holds for operating leases, if the board of directors makes a written decision explicitly states that it is used for operating leases and that the holdings will not change in the short term, they are also presented as investment property.

The Company's investment property is recorded at its cost, and the cost of an purchased investment property includes the purchase price, related taxes, and other expenses directly attributable to the asset; the cost of self-constructed investment property includes all necessary expenditures incurred during the construction before the asset reaches its intended usable condition.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXI) Investment Property (Continued)

The Company adopts the cost model for subsequent measurement of investment property, and depreciates or amortizes buildings and land use rights according to their estimated service life and net residual rate. Estimated service life, net residual rate and annual depreciation (amortization) rate of investment property are presented below:

Type	Estimated service life (year)	Estimated net residual rate (%)	Annual depreciation (amortization) rate (%)
Buildings	30	4	3.2

When the use of an investment property is changed to self-occupied, the Company transfers the investment property to a fixed asset or intangible asset since the date of the change. When the use of real estate for self-occupied changes to earning rental income or capital appreciation, the Company transfers the fixed assets or intangible assets to investment property since the date of the change. When the transferal occurs, the carrying amount before the transferal is used as the booked value after the transferal.

When the investment property is disposed of or is permanently withdrawn from use and it is expected that no economic benefit can be obtained from its disposal, the recognition of the investment property shall be terminated. The amount of proceeds from disposal of investment property sold, transferred, scrapped or damaged after deducting its carrying amount and related taxes and fees is charged to profit or loss for the current period.

### (XXII) Fixed Assets

#### 1. Recognition of fixed assets

Fixed assets refer to tangible assets held for the production of merchandize, provision of labor services, renting or operational management with useful life over one accounting year. Fixed assets are recognized when all of the following conditions are met:

- (1) economic benefits related to such fixed assets are likely to flow into the enterprise;
- (2) costs of such fixed assets can be reliably measured.





# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXII) Fixed Assets (Continued)

#### 2. Initial measurement of fixed assets

The fixed assets of the Company are initially measured at cost.

- (1) The cost of the externally purchased fixed assets include the purchase price, the import duties, and the other expenditure direct attributable to such assets for such assets to be available for its intended use.
- (2) The cost of a self-constructed fixed asset consists of all necessary expenses incurred from the construction for enabling the asset to be available for its intended use.
- (3) The cost invested to a fixed asset by the investor is determined according to the value agreed upon in the investment contract or agreement. Where the valued agreed upon in the said investment contract or agreement is unfair, the said cost will be determined according to the fair value of the asset.
- (4) Where the price for purchase of the fixed assets exceeds the deferred payment on normal credit terms with substantial financing nature, the cost is determined on the basis of the present value of the purchase price. The difference between the actual payment and the purchase price, besides being capitalized, shall be included in profit or loss for the period during the credit period.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXII) Fixed Assets (Continued)

#### 3. Subsequent measurement and disposal of fixed assets

##### (1) Depreciation of fixed assets

The depreciation of fixed assets is provided within the estimated useful life based on the value carried less the expected net residue. For fixed assets with impairment provided, the depreciation can be determined based on the carrying amount less the provision for impairment in future period and the remaining useful life. No depreciation is provided for still in use but fully depreciated fixed assets.

The Company determines the useful life and estimated residual value of fixed assets based on their nature and use condition. The useful life, estimated residual value and method of depreciation of fixed assets are re-assessed at the end of the year, corresponding adjustment is made when any difference from the originally estimated amount is found.

The method of depreciation, year of depreciation and annual depreciation rate of different categories of fixed assets are as follows:

Category	Method of depreciation	Year of depreciation (year)	Residual rate (%)	Annual depreciation rate (%)
Property and buildings	Straight-line basis	30	4.00	3.20
Machinery and equipment	Straight-line basis	2-16	4.00	6.00-48.00
Electronic equipment	Straight-line basis	5	4.00-5.00	19.00-19.20
Transportation equipment	Straight-line basis	6-10	4.00-5.00	9.50-16.00
Office equipment	Straight-line basis	5	4.00	19.20
Network equipment	Straight-line basis	16	4.00	6.00

##### (2) Subsequent expenses of fixed assets

For subsequent expenses in relation to fixed assets, those that comply with the recognition criteria for fixed assets are included in the costs of fixed assets; those that do not are included in profit or loss for the period at the time of incurrence.

##### (3) Disposal of fixed assets

A fixed asset is derecognized when the fixed asset is disposed or the expected use or disposal of such fixed asset cannot create any economic benefits. The disposal income from sale, transfer, retirement or damage of fixed assets is recognized in profit or loss for the period after deducting its carrying amount and relevant taxes.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXIII) Constructions in Progress

#### 1. Initial measurement of construction in progress

The self-constructed constructions in progress of the Company are measured at actual cost, which consist of the necessary expenses required for bringing such constructions to the expected useable conditions including the cost of construction materials, labor costs, relevant taxes, borrowings expenses capitalized and apportioned indirect costs.

#### 2. Criteria and timing for conversion of construction in progress into fixed assets

The initial carrying amounts of the fixed assets are stated at total expenditures incurred before construction in progress reaching the working condition for their intended use. For construction in progress that has reached working conditions for its intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working conditions for its intended use. And the fixed assets shall be depreciated in accordance with the Company's policy on fixed asset depreciation. Adjustment shall be made to the originally and provisionally estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

### (XXIV) Borrowing Expenses

#### 1. Principles of recognizing capitalization of borrowing expenses

The borrowing expenses of the Company directly attributable to the construction or production of an asset meeting capitalization conditions are capitalized and recognized in relevant asset costs; other borrowing expenses are recognized as expenses based on the amount incurred and recognized in profit or loss for the period.

An asset that meets the capitalization conditions refers to fixed assets, real estate investments and inventories that require a considerable amount of time for construction or production to reach the expected usable or saleable condition.

Borrowing expenses are capitalized when all of the following conditions are met:

- (1) the asset expense has occurred, which includes expenses in the form of cash paid, nonmonetary asset transferred or interest-bearing obligations assumed for the construction or production of an asset that meets capitalization conditions;
- (2) the borrowing expenses have occurred;
- (3) the necessary construction or production activities for bringing the asset to the expected usable or saleable conditions have started.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXIV) Borrowing Expenses (Continued)

#### 2. Capitalization period of borrowing expenses

Capitalization period refers to the time starting from the borrowing expenses are capitalized to the time capitalization is stopped, except for the period which capitalization of borrowing expenses is suspended.

When the construction or production of an asset meeting capitalization conditions has reached expected useful or saleable conditions, the capitalization of borrowing expenses is stopped.

When a portion of the construction or production of an asset meeting capitalization conditions has completed and can be used individually, the capitalization of borrowing expenses of such portion of asset is stopped.

When portions of the construction or production of an asset have been completed but will only become useful or saleable after the entire asset is completed, the capitalization of borrowing expenses is stopped when the entire asset is completed.

#### 3. Suspension of capitalization period

Capitalization of borrowing expenses is suspended when any abnormal interruption continues for over three months during the construction or production of an asset that meets capitalization conditions. If such interruption is a necessary procedure for the construction or production of the asset that meets capitalization conditions for which to reach expected useful or saleable conditions, the borrowing expenses are continued to be capitalized. The borrowing expenses incurred during the interruption are recognized as profit or loss for the period, and capitalization of borrowing expenses continues when the construction or production activities of the asset resumes.

#### 4. Calculation of capitalized amount of borrowing expenses

Interest expenses of special loans (net of interest income from unutilized loans deposited in bank or investment gain earned from temporary investment) and supplementary expenses incurred for the construction or production of asset that meets capitalization conditions before the asset reaches expected useable or saleable condition are capitalized.

The interest amount that should be capitalized on normal borrowings is calculated based on the weighted average of expenses of the aggregate asset exceeding the expenses of the portion of special loan multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on normal weighted average interest rate.

When there is discount or premium in the loan, the discount or premium to be amortized in each accounting period is determined using effective interest method and the interest amount for each period is adjusted.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXV) Right-to-use assets

The Company initially measures the right-to-use assets at cost, which includes:

1. Initial measurement amount of lease liabilities;
2. If there are rental incentives in the rental payments paid before or at the beginning of the lease term, the relevant amount of rental incentives happened shall be deducted;
3. Initial direct expenses incurred by the Company;
4. Expected costs of dismantling and removing leased assets, restoring the site of leased assets or restoring leased assets to the agreed state of leasing terms (Excluding costs incurred for the production of inventory).

After the beginning of the lease period, the Company adopts the cost model to measure the right-to-use assets for subsequent measurement.

If the ownership of the leased assets can be reasonably determined at the expiration of the lease term, the Company shall depreciate the leased assets within the remaining useful life of the leased assets. If it is impossible to reasonably determine the ownership of the leased assets at the expiration of the lease term, the Company shall depreciate the leased assets within the shorter period of time between the lease term and the remaining useful life of the leased assets. In the future, depreciation shall be calculated based on the book value after deduction of impairment reserve refer to the above principles for the right-to-use assets with impairment provision.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXVI) Intangible Assets and Development Expenses

Intangible assets refer to the identifiable non-monetary assets owned or controlled by the Company which have no physical form, including land use rights, software and patent.

#### 1. Initial measurement of intangible assets

The cost of externally purchased intangible assets includes the purchase price, relevant taxation and other expenses directly attributable to bringing the asset to expected usage. If payment for the price of intangible assets purchased is delayed beyond normal credit conditions and is in fact financing in nature, the cost of the intangible asset is determined based on the present value of the purchase price.

For intangible asset obtained through debt restructuring for offsetting the debt of the debtor, the booked value of the intangible asset is determined based on its fair value, and the difference between the carrying amount of the restructured debt and the fair value of the intangible asset used for offsetting the debt is recognized in profit or loss for the period.

The book value of intangible asset received in an exchange for non-monetary asset is based on the fair value of the asset surrendered, provided that the asset received in exchange for non-monetary asset has a commercial substance and the fair value of both the asset received and the asset surrendered can be reliably measured, except there is definite evidence that the fair value of the asset received is more reliable; for exchange of non-monetary asset that cannot satisfy the above conditions, the cost of the intangible asset received is based on the carrying amount of the asset surrendered and the amount of relevant taxation payable, and no profit or loss is recognized.

For intangible asset obtained through business absorption or combination of entities under common control, the book value is determined by the carrying amount of the combined party; for intangible asset obtained through business absorption or merger of entities not under common control, the book value is determined by the fair value of the intangible asset.

The cost of an internally developed intangible asset include: the materials consumed in developing the intangible asset, labor costs, registration fees, amortization of other patented rights and licensed rights used during the development process, interest expenses meeting capitalization conditions, and other direct costs for bringing the intangible asset to expected usage.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXVI) Intangible Assets and Development Expenses (Continued)

#### 2. Subsequent measurement of intangible assets

The Company determines the useful life of intangible assets on acquisition, which are classified as intangible life with limited life and indefinite life.

##### (1) *Intangible asset with a limited life*

Intangible asset with a limited life is depreciated using straight-line method over the term which it brings economic benefit to the Company. The estimated useful life and basis for the intangible assets with a limited life are as follows:

Item	Estimated service life	Basis
Software	5–10 years	Amortized by straight-line basis
Land use rights	30–50 years	Amortized by straight-line basis
Patent	10 years	Amortized by straight-line basis

The useful life and depreciation method of intangible assets with limited life are reassessed at the end of each period. If the original estimate varies, corresponding adjustments are made.

Upon re-assessment, at the end of the period there was no difference in the useful life and depreciation method of intangible assets from the previous estimates.

##### (2) *Intangible assets with indefinite life*

An intangible asset is regarded as having an indefinite life when the term over which the asset is expected to generate economic benefits for the Company cannot be estimated. For an intangible asset with indefinite life, they will not be amortized during the holding period, and the Company reviews the useful life of the asset at the end of each year. If the useful life remains indefinite after the review, an impairment test continues to be conducted in each accounting period.

#### 3. Specific criteria in dividing the research stage and development stage of internal research and development projects of the Company

Research stage: The stage of original planned investigation and research activities to acquire and understand new scientific or technical knowledge.

Development stage: The stage of activities that apply research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc. before commercial production or use.

The expenses incurred in the research stage of internal research and development projects are included profit or loss for the period on incurrence.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXVI) Intangible Assets and Development Expenses (Continued)

#### 4. Specific criteria of capitalization for expenses during development stage

The expenses during development stage of internal research and development projects are recognized as intangible asset when all the below conditions are met:

- (1) it is technically feasible to complete the intangible asset to bring it to useable or saleable conditions;
- (2) there is intention to complete the intangible asset for use or sale;
- (3) there is a way for generating economic benefits from the intangible asset, including the ability to prove there exists a market for products produced using the intangible asset or there exists a market for the intangible asset itself; for intangible asset to be used internally, its usability can be proved;
- (4) there is enough support in the areas of technology, financial and other resources to complete the development of the intangible asset, and there is the ability to use or sell the intangible asset;
- (5) the expenses attributable to the development stage of the intangible asset can be reliably measured.

The expenses during development stage that do not comply with the conditions above are included profit or loss for the period on incurrence. Development expense included in profit or loss in previous period are not re-recognized as assets in subsequent period. Capitalized expenses during development stage are presented as development expenses on the balance sheet and transferred to intangible assets since they reach the intended use.





# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXVII) Impairment of Long-term Assets

The Company makes a judgment on whether there is any sign of possible long-term assets impairment on the balance sheet date. Where there is any evidence indicating a possible impairment of assets, the Company shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets based on the asset group to which the asset belongs.

The estimate of the recoverable amount of the assets are determined at the higher of the net amount of the fair value less the disposal expenses and the present value of the estimated future cash flows.

Where the measurement result of the recoverable amount indicates that the recoverable amount of the long-term asset is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once the asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

After the loss of asset impairment has been recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the asset systematically (deducting the expected net salvage value) within the residual service life of the asset.

No matter whether there is any sign of possible assets impairment, the business reputation formed by the merger of enterprises and intangible assets with indefinite lives shall be subject to impairment test every year.

When making impairment task on the goodwill shall, amortize the carrying amount of goodwill to asset group or combination of asset group, which are expected to be beneficial from business combination. When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the Company shall first make an impairment test on the asset groups or combinations of asset groups not containing the goodwill, calculate the recoverable amount, and compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the Company shall make an impairment test of the asset groups or combinations of asset groups containing goodwill, and compare the carrying value of these asset groups or combinations of asset groups (including the carrying value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXVIII) Long-term Deferred Expenditures

1. **Amortization method**

Long-term prepaid expenses of the Company refer to expenses that already been spent and the benefit period is one year or more. Long-term prepaid expenses are amortized using the straight-line method in its benefit period.

2. **Amortization period**

Type	Amortization period	Remark
Renovation fees	5 years	Straight-line method
Rental fees	5–15 years	Straight-line method

### (XXIX) Contract Liabilities

Contract Liabilities refer to the Company's obligation to provide goods to the customer for the consideration received or receivable.

### (XXX) Employee Remuneration

Employee remuneration refers to various forms of remuneration or compensation given by the Company to obtain services provided by employees or to dissolve labor relations. Staff remuneration includes short-term employee remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

1. **Short-term remuneration**

Short-term remuneration refers to the employee compensation in addition to post-employment benefits and termination benefits, which are required to be fully paid within 12 months upon the annual reporting period when the employees provide relevant services. During the accounting period when the employees provides services, the Company recognizes the short-term remuneration payable as liabilities and includes them into relevant asset costs and expenses according to benefits from the services provided by employees.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXX) Employee Remuneration (Continued)

#### 2. Post-employment benefits

Post-employment benefit refers to all kinds of remunerations and benefits other than short-term remuneration and termination benefits that are provided by the Company after the retirement of the employees or termination of labor relation with enterprises in exchange for services provided by employees.

The Company's post-employment benefit plans are categorized as defined contribution plans and defined benefit plans.

Defined contribution plan of the post-employment benefits mainly refers to the basic endowment insurance and unemployment insurance paid for the employees organized and implemented by local labor and social security institutions. During the accounting period when employees render services to the Company, amount payable calculated by the base and ratio in conformity with local regulation is recognized as a liability and accounted for profit or loss for the period or cost of related assets.

Defined benefit plans of the post-employment benefits provide for a defined standard of uncoordinated benefits payable primarily to retired employees, and for the cost of living for families of deceased employees. The obligations assumed under defined benefit plans are actuarially determined at the balance sheet date by independent actuaries using the expected cumulative benefit unit method to attribute the benefit obligations arising from the defined benefit plans to the period in which the employees render services and are included in profit or loss for the period or in the cost of the related assets, in which: unless other accounting standards require or permit the cost of employee benefits originally included in the cost of assets, the cost of defined benefit plan services and the net interest on the net liabilities or net assets of the plan are included in profit or loss in the period in which they are incurred; changes arising from the remeasurement of the net liability or net asset of the defined benefit plan are included in other comprehensive income in the period in which they are incurred and are not allowed to be reversed to profit or loss in subsequent accounting periods.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXX) Employee Remuneration (Continued)

#### 3. Termination benefits

Termination benefit refers to indemnity provided by enterprises for employees for the purpose of terminating labor relation with the employees before the expiry of the labor contract or encouraging employees to accept downsizing voluntarily. At the earlier of the date when the Company cannot unilaterally withdraw the termination plans or cut-down proposals and the date of confirmation of relevant cost and expenses on paying termination benefits, the liabilities arising from indemnity provided for terminating labor relation with the employees are recognized and charged to profit or loss for the period.

The Company provides early retirement benefits to those employees who accepted early retirement arrangement. Early retirement benefits mean payment of those salaries and social security contributions and other expenses made to those who are under the government regulated retirement age and their early retirement were approved by the Company's management. The Company will pay early retirement benefits to those employees from the early retirement date to normal retirement date. The Company accounts for the early retirement benefits in accordance with the treatment of termination benefits, in which, if the relevant recognition conditions of retirement benefits are met, the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognized as liabilities with a one-off charge to the profit or loss for the current period. Difference arising from change in assumption on actuarial calculation and change in benefit standards, will be charged to profit or loss for the period when it incurs.

#### 4. Other long-term employment benefits

Other long-term employment benefits refer to all employee benefit except for short-term benefit, post-employment benefit, and termination benefit.

For other long-term employee benefits that meet the conditions of the defined contribution plan, during the accounting period in which the employee provides services for the company, the amount that should be paid is recognized as a liability and is included in the profit or loss for the period or the cost of the relevant assets. In addition to the above situations, other long-term employee benefits are actuarially calculated by independent actuaries using the expected cumulative benefit unit method on the balance sheet date, and the benefit obligations arising from the defined benefit plans are attributed to the period during which the employees provide services and are included in the current profit and loss or costs of related asset.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXI) Estimated Liabilities

#### 1. Recognition criteria for estimated liabilities

The Company shall recognise the obligations related to contingencies as estimated liabilities, when all the following conditions are satisfied:

The obligation is a present obligation of the Company;

It is probable that an outflow of economic benefits from the Company will be required to settle the obligation;

The amount of the obligation can be measured reliably.

#### 2. Method of measuring estimated liabilities

Estimated liabilities of the Company shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflow.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognised as an asset when it is virtually certain that the reimbursement will be received. The amount recognised for the reimbursement is limited to the carrying amount of the estimated liability.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXII) Lease liabilities

The Company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term. In calculating the present value of rental payments, the Company adopts the rental interest rate as the discount rate. If it is impossible to determine the interest rate of the lease, the incremental borrowing rate of the Company shall be used as the discount rate. Lease payments include:

1. Fixed payment and substantive fixed payment after deducting the relevant amount of lease incentive;
2. Variable rental payments depending on index or ratio;
3. The amount of the lease payment includes the exercise price of the purchase option when the Company reasonably determines that the option will be exercised;
4. The amount of the lease payment includes the amount to be paid for the exercise of the option to terminate the lease when the lease term reflects that the Company will exercise the option to terminate the lease;
5. The amount expected to be paid based on the residual value of the guarantee provided by the Company.

The Company calculates the interest charges of the lease liabilities for each period of the lease period at a fixed discount rate and takes them into account the profit and loss of the current period or the cost of related assets.

Variable lease payments not included in the measurement of lease liabilities shall be incorporated in current profit and loss or the cost of related assets when they actually occur.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXIII) Share-based Payments

1. **Type of Share-based payments**

The Company's share-based payments included equity-settled share-based payments and cash-settled share-based payments.

2. **Confirmation methods of fair value of equity instruments**

For granted equity instruments such as options that exist in an active market, the fair value of an equity instrument is determined according to the quotation in the active market. For granted equity instruments such as options that do not exist in an active market, the option pricing model is used to determine the fair value. The option pricing model selected considers the following factors: (1) The exercise price of the option; (2) The validity period of the option; (3) The current price of the underlying shares; (4) The expected volatility of the stock price; (5) The expected dividend of the shares; (6) The risk-free interest rate within the validity period of the option.

When determining the fair value of the equity instrument grant date, the impact of market conditions in the vesting conditions and non-vesting conditions stipulated in the share payment agreement is considered. If there are non-vesting conditions for share payment, as long as the employees or other parties meet the non-market conditions (such as the service period, etc.) of all the vesting conditions, the cost and expense corresponding to the service received is confirmed.

3. **The basis for determining the best estimate of an exercisable equity instrument**

On each balance sheet date within the vesting period, the best estimate is made based on the latest changes in the number of employees with available rights and other follow-up information, and the number of equity instruments with estimated exercisable rights is revised. On the exercisable date, the final estimated number of vested equity instruments is consistent with the actual number of exercisable rights.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXIII) Share-based Payments (Continued)

#### 4. Accounting treatment

Equity-settled share-based payment shall be measured at the fair value of the equity instruments granted to employees. If the right may be exercised immediately after the grant, the fair value of equity instrument on the grant date shall be included in the relevant costs or expenses, and the capital reserve shall be increased accordingly. If the right may not be exercised until completion of services for the vesting period or fulfilment of the specified performance conditions, on each balance sheet date within the vesting period, the services obtained in the current period shall be included in the relevant costs or expenses and the capital reserve at the grant date fair value of equity instruments based on the best estimate of the number of vested equity instruments. No adjustments would be made to the identified related costs or expenses and total owner's equity after the vesting date.

Cash-settled share-based payment shall be measured at the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Company. If the right may be exercised immediately after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. If the right may not be exercised until completion of services for the vesting period or fulfilment of the specified performance conditions, on each balance sheet date within the vesting period, the services obtained in the current period shall be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company based on the best estimate of the information about the exercisable right. On each balance sheet date and settlement date before the settlement of the relevant liabilities, fair value of the liabilities will be remeasured with the changes included in the profit or loss for the current period.

If the granted equity instrument is cancelled during the vesting period, the Company will treat the cancellation of the granted equity instrument as an accelerated exercise, and the amount that should be confirmed in the remaining vesting period is immediately included into the current profit and loss, and the capital reserve is recognized simultaneously. If the employee or other party can choose to meet the non-vesting conditions but fails to satisfy within the vesting period, the Company will treat it as the cancellation of granted equity instruments.





# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXIV) income

The main revenue streams of the Company are from the following businesses: heat supply and transmission service, construction and maintenance.

#### 1. General principles of revenue recognition

The Company has fulfilled the performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services, the revenue is recognized at the transaction price allocated to the performance obligation.

The performance obligation refers to the commitment of the Company to transfer the goods or services that can be clearly distinguished to the customer in the contract.

Obtaining control of related commodities means being able to lead the use of the commodities and obtain almost all economic benefits from them.

The Company evaluates the contract on the contract start date, identifies the individual performance obligations contained in the contract, and determines whether the individual performance obligations are performed within a certain period of time or at a certain point in time. If one of the following conditions is met, it is a performance obligation performed within a certain period of time. The Company recognizes revenue within a period of time according to the progress of the performance: (1) The customer obtains and consumes the Company's performance office while the Company is performing the contract economic benefits brought; (2) The customer can control the goods under construction of the Company during the performance of the contract; (3) The goods produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to receiving money for the accumulated performance part that has been completed so far. Otherwise, the Company recognizes revenue when the customer obtains control of the relevant goods or services.

For the performance obligations performed within a certain period of time, the Company uses the input method to determine the appropriate performance progress based on the nature of the goods and services. The output method is to determine the performance progress based on the value of the commodities that have been transferred to the customer (the input method is to determine the performance progress based on the Company's investment to fulfil the performance obligation). When the performance progress cannot be reasonably determined, if the Company's already incurred costs are expected to be compensated, revenue is recognized according to the amount of costs incurred until the performance progress is reasonably determined.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXIV) Income (Continued)

#### 2. Detailed method for revenue recognition

##### (1) *Provision of heat service*

When the Company satisfies its performance obligations for heat supply services, if the customer simultaneously receives and consumes the resources provided by the Company, it is a performance obligation satisfied within a certain period of time. Revenue from heat supply services is recognised on the basis of the actual heating area and the heating price approved by relevant government departments, and is recognised in monthly instalments over the heating period in proportion to the number of heating days as a percentage of the total number of heating days.

##### (2) *Pipeline connection fee*

The pipeline connection fee is a one-off fee charged by the Company to the customers for the connection of the primary pipeline network for residential customers and is non-refundable. The Company enters into a contract with a customer and agrees to a heating service period, and income from the pipeline connection fee is recognised on a straight-line basis over the customer's beneficial period. The Company has determined the beneficial period to be 16 years.

##### (3) *Heat transmission service*

Revenue from the provision of heat transmission service, which utilises the heat transmission network of the Company to provide heat transmission service to other heat supply units, is recognised at the point in time when control of heat is transferred to the customer, which is generally when heat is transmitted to the customer.

##### (4) *Engineering construction and maintenance services*

When the Company satisfies its performance obligation for engineering construction and maintenance services, if the customer is able to control the Company's asset created or enhanced in the performance process, it is a performance obligation satisfied within a certain period of time, and the Company recognises the revenue based on the progress of performance, which is determined by the proportion of the actual costs incurred to the estimated total cost of achieving the construction services.

##### (5) *Design services*

The design services provided by the Company include design, consultancy and feasibility studies for heating projects. The major stages of the completed workload as at the date of combined statement of financial position have been recognized based on external evidence obtained. The Group determines the progress of performance of the service according to the output method. Based on the actual progress of completion of the design project, the Company recognizes the current revenue of the project based on the total amount of the design contract multiplied by the actual progress of completion to calculate the completed contract amount (net of the contract amount accumulated in previous accounting periods and net of the corresponding value-added tax).



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXIV) Income (Continued)

#### 2. Detailed method for revenue recognition (Continued)

##### (6) Sale of goods

Revenue from the sale of industrial goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

### (XXXV) Contract Costs

#### 1. Contract performance cost

The Company's costs incurred for the performance of the contract that are not within the scope of other ASBEs other than income standards and meet the following conditions at the same time are recognized as an asset as contract performance costs:

- (1) The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), clear costs borne by the customer, and other costs incurred solely for the contract;
- (2) This cost increases the resources that the company will use to fulfill its performance obligations in the future;
- (3) The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets based on whether the amortization period at the time of initial recognition exceeds a normal business cycle.

#### 2. Contract obtainment cost

If the incremental cost of the Company is expected to be recovered, the contract acquisition cost is recognized as an asset. Incremental cost refers to the cost that the Company will not occur without obtaining a contract, such as sales commission. For the amortization period not exceeding one year, it is included in the current profit and loss when it occurs.

#### 3. Amortization of contract costs

The Company recognizes the contract performance cost and the contract acquisition cost on the same basis as the commodity income related to the contract cost asset, and amortizes it at the time when the performance obligation is performed or in accordance with the performance of the performance obligation, and is included in the current profit and loss.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXV) Contract Costs (Continued)

#### 4. Contract cost impairment

For the above assets related to contract costs, the carrying amount is higher than the difference between the Company's expectation that the goods related to the asset are expected to obtain the remaining consideration and the estimated cost of transferring the relevant goods, and the excess should be depreciated and confirmed as asset impairment losses.

After the impairment provision is accrued, if the factors of impairment in the previous period change, so that the above two differences are higher than the carrying amount of the asset, the asset impairment provision previously accrued is transferred back to the current profit and loss, but it is transferred. The carrying amount of the asset after the return does not exceed the carrying amount of the asset on the date of reversal under the assumption that no impairment provision is made.

### (XXXVI) Government Grants

#### 1. Classification

Government grants refer to monetary and non-monetary assets received from the government without compensation. According to the subsidy object stipulated in the documents of relevant government, government grants are divided into subsidies related to assets and subsidies related to revenue.

Government grants related to assets are obtained by the Company for the purposes of constructing or forming long-term assets in other ways. Government grants related to revenue refer to the government grants other than those related to assets.

#### 2. Recognition of government grants

Where evidence shows that the Company complies with relevant conditions of policies for financial supports and are expected to receive funds rapidly at the end of the period, the amount receivable is recognized as the government grants. Otherwise, the government subsidy is recognized upon receipt.

Government grants in the form of monetary assets are stated at the amount received or receivable. Government grants in the form of non-monetary assets are measured at fair value; if fair value cannot be obtained, a nominal amount (RMB1) is used. Government grants that are measured at nominal amount shall be recognized in profit or loss for the period directly.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXVI) Government Grants (Continued)

#### 3. Accounting treatment

According to the essence of economic business, the Company determines that a certain type of government subsidy business should be accounted for using the gross method or net method. In general, the Company uses only one method for similar or comparable government grant operations and applies that method consistently to that operation.

Government grants related to assets shall offset the carrying amount of the relevant assets or be recognised as deferred income. If the government grants related to assets are recognized as deferred income, they shall be included in the profit and loss in installments in a reasonable and systematic manner within the useful life of the assets constructed or purchased.

Government grants related to income that are used for compensation for the relevant costs or losses of the Group in subsequent periods are recognized as deferred income and are included in the profit or loss in the current period or offset the relevant costs in the periods in which the relevant costs, expenses or losses are recognized; a grant that are used for compensation for the relevant costs or losses of the Group already incurred shall be directly included in the profit or loss in the current period or offset the related costs.

Government grants related to daily activities of enterprises are included in other incomes or offset relevant costs; government grants that are not related to daily activities of enterprises are included in non-operating income and expenditure.

The government subsidy related to the discount interest received from policy-related preferential loans offsets the relevant borrowing costs; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the actual borrowing amount received is recognized as the borrowing amount, and the relevant borrowing costs should be calculated based on the loan principal and the preferential policy rate.

When a recognized government grant needs to be returned, if the carrying amount of the relevant asset is offset at the initial recognition, the carrying amount of the asset is adjusted. If there is balance of relevant deferred income, the carrying balance of the relevant deferred income is offset and the excess is recognised in profit and loss in the current period. If the relevant deferred income does not exit, it is directly recognised in profit and loss in the current period.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXVII) Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets and deferred tax liabilities are measured and recognized based on the difference (temporary difference) between the taxable base of assets and liabilities and their carrying amount. On balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period, when it is expected to recover such assets or repay such liabilities.

#### 1. Criteria for recognition of deferred income tax assets

The Company recognizes deferred income tax assets arising from deductible temporary difference to the extent it is probably that future taxable amount will be available against which the deductible temporary difference can be utilized. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in transactions are not recognized with the following features: (1) the transaction is not a business combination; (2) neither the accounting profit or the taxable income or deductible losses is affected when the transaction occurs.

For deductible temporary difference in relation to investment in the associates, corresponding deferred income tax assets are recognized in the following conditions: the temporary difference is probably reversed in a foreseeable future and it is likely that taxable income is obtained for deduction of the deductible temporary difference in the future.

#### 2. Criteria for recognition of deferred income tax liabilities

The Company recognizes deferred income tax liabilities on the temporary difference between the taxable but not yet paid taxation in the current and previous periods, excluding:

- (1) temporary difference arising from the initial recognition of goodwill;
- (2) transactions or events arising from non-business combination, and neither the accounting profit or the taxable income (or deductible losses) is affected when the transaction or event occurs;
- (3) for taxable temporary difference in relation to investment in subsidiaries or associates, the time for reversal of the difference can be controlled and the difference is probably not reversed in a foreseeable future.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXVII) Deferred Tax Assets and Deferred Tax Liabilities (Continued)

3. **Deferred income tax assets and deferred income tax liabilities are presented net of offset when the following conditions are met**
  - (1) The enterprise has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;
  - (2) Deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities. However, in each future period in which the deferred income tax asset and deferred income tax liability are significant, the tax entity involved intends to settle the current income tax assets and current income tax liabilities on a net basis or simultaneously obtain assets and settle the current income tax liabilities.

### (XXXVIII) Lease

1. **Identification of leases**

On the beginning date of the contract, the Group (as a lessee or lessor) assesses whether the customer in the contract has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use and has the right to direct the use of the identified asset throughout the period of use. If a contract conveys the right to control the use of an identified asset and multiple identified assets for a period of time in exchange for consideration, the Group identifies such contract is, or contains, a lease.
2. **Accounting for the Company as lessee**

On the beginning date of the lease, the Company recognizes right-of-use assets and lease liabilities for all leases, except for short-term lease and low-value asset lease with simplified approach.

  - (1) **short-term leases and low-value assets leases**

Short-term lease refers to a lease that does not include purchase options and has a lease term not exceeding 12 months. Low-value asset lease refers to the lease with lower value when a single leased asset has low value when it is new.

The Company does not recognize the right-to-use assets and lease liabilities for the short-term leases and low-value asset leases. Relevant lease payments are incorporated in the cost of related assets or current profits and losses based on the straight-line method or other systematic and reasonable methods during the lease period.

The Company recognizes the right-to-use assets and lease liabilities for short-term leases and low-value assets other than those mentioned above.
  - (2) The accounting policies for right-of-use assets and lease liabilities are detailed in this note IV/(XXV) Right-of-use assets and this note IV/(XXXII) Lease liabilities in this note.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXVIII) Lease (Continued)

#### 3. Accounting for the Company as Lessor

##### (1) *Classification of Leases*

The Company divides the lease into financing lease and operating lease on the start date of the lease. Financial lease refers to a lease that essentially transfers almost all the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operational lease refers to leases other than financial leases.

If a lease has one or more of the following characteristics, the Company usually classifies it as a financial lease:

- 1) At the end of the lease term, the ownership of the leased assets is transferred to the lessee.
- 2) The lessee has the option to purchase the leased assets, and the purchase price set by the lessee is low enough compared with the expected fair value of the leased assets when exercising the option. Therefore, it can be reasonably determined on the lease start date that the lessee will exercise the option.
- 3) Although the ownership of the assets is not changed, the lease period accounts for the majority of the life of the leased assets.
- 4) At the beginning of the lease, the present value of the rental fee is almost equal to the fair value of the leased assets.
- 5) The nature of leased assets is special. If there is no major transformation, only the lessee can use them.

If one or more of the following conditions exist in a lease, the Company may also be classified as a financial lease:

- 1) If the lessee ends the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor.
- 2) The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee.
- 3) The lessee can continue to lease far below the market level for the next period.





# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXVIII) Lease (Continued)

#### 3. Accounting for the Company as Lessor (Continued)

##### (2) Accounting for financial lease

At the beginning of the lease term, the Company confirms the financial lease receivable on the financial lease and terminates the recognition of the financial lease assets.

When the initial measurement of the financial lease receivable is made, the present value of the financial lease receivable is the sum of the unsecured balance and the amount of the lease receivable that has not yet been received at the beginning of the lease term and the present value discounted at the interest rate included in the lease. The amount of rental receipts includes:

- 1) Fixed payment and substantive fixed payment after deducting the relevant amount of lease incentive;
- 2) Variable rental payments depending on index or ratio;
- 3) In the case of reasonably determining that the lessee will perform the right of purchase option, the amount of rental receipt includes the right price of purchase option;
- 4) The lease term reflects that the lessee will perform the option to terminate the lease. The lease receipt includes the amount to be paid by the lessee in exercising the option to terminate the lease;
- 5) Guarantee residual value provided by the lessee to the lessor, the party concerned with the lessee and an independent third party with financial capacity to fulfil the guarantee obligation.

The Company calculates and confirms the interest income for each period of the lease period abased on the fixed rental interest rate, and the variable rental payments which are not included in the net rental investment amount are included in the profits and losses of the current period when they actually occur.

##### (3) Accounting for operating lease

The Company adopts the straight line method or other systematic and reasonable method to recognize the rental receipts from operating leases as rental income during each period of the lease period. Capitalization of the initial direct expenses incurred in connection with operating leases shall be apportioned on the same basis as the recognition of rental income during the lease period, and shall be recorded in the profits and losses of the current period. Variable rental payments obtained in connection with operating leases that are not incorporated in the rental receipts shall be incorporated in the profits and losses of the current period when they actually occur.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXVIII) Lease (Continued)

#### 4. Sale-leaseback Transaction

If the transfer of assets in the sale-leaseback transaction is for sale, the Company shall measure the assets of the right of use formed by the after-sale leaseback based on the part of the book value of the original assets related to the right of use acquired by the leaseback, and only confirm the relevant gains or losses in respect of the rights transferred to the lessor. If the fair value of the sale consideration is different from the fair value of the assets, or the lessor does not collect rent at the market price, the Company will treat the amount of the sale consideration below the market price as the prepaid rent, and the amount higher than the market price as the additional financing provided by the lessor to the lessee for accounting purpose. At the same time, adjust the relevant sales gains or losses based on fair value.

If the transfer of assets in the sale-leaseback transaction does not belong to the sale, the Company shall continue to recognize the transferred assets and at the same time recognize a financial liability equal to the transfer revenue.

If the transfer of assets in the sale-leaseback transaction belongs to sales, the Company shall accounted for the purchase of assets and the lease of assets in accordance with the leasing standards. If the fair value of sales consideration is different from that of assets, or if the Company fails to collect rent at market price, the Company will treat the amount of sales consideration below market price as advance rent, and the amount above market price as additional financing provided by the Company to lessees for accounting purpose. At the same time, adjust rent income according to market price.

If the transfer of assets in the sale-leaseback transaction does not belong to the sale, the Company shall recognize a financial asset equal to the transfer revenue.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XXXIX) Discontinued Operation

The Company will satisfy one of the following conditions, and the component has been disposed of or classified as held for sale, and can be separately recognized as a component of discontinued operation:

- (1) the component represents an independent main business or a separate major business area.
- (2) This component is proposed disposal plan on an independent main business or proposed disposal in a separate major business area.
- (3) This component is a subsidiary that is specifically acquired for resale.

Operational gains and losses such as impairment losses and reversal amounts of discontinued operations and disposal gains and losses are listed in the income statement as profit or loss of discontinued operations.

### (XL) Asset Securitization Business

The Company securitized a portion of its heating contract debt assets by issuing securities to qualified investors. The interest in the securitized financial assets is retained in the form of credit-enhanced, subordinated debentures. The retained interests are recorded at fair value in the Company's balance sheet. The difference between the carrying amount of a financial asset derecognized in the process of securitization and its consideration (including the retained interest) is recognized as a gain or loss on securitization and is included in profit or loss for the period.

### (XLI) Production Safety Expense

The Company's production safety expenses, which are provided in accordance with national regulations, are included in the cost of the relevant products or profit or loss for the period, and are also recorded in the "Special Reserve" account. When the provision of production safety expenses is used, it is directly offset in the special reserve if it is an expense. If the production safety expenses formed a fixed asset, the expenditure incurred is accounted for in the item "Construction in progress" and recognized as a fixed asset when the safety project is completed and reaches its intended useable state; meanwhile, the special reserve is written down to the cost of forming fixed assets and accumulated depreciation of the same amount is recognized. No further depreciation is charged on the fixed assets in subsequent periods.



# NOTES TO FINANCIAL STATEMENTS

## IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

### (XLII) Changes in Significant Accounting Policies and Accounting Estimates

- Changes in accounting policies**  
There was no change in accounting policies during the Reporting Period.
- Changes in accounting estimates**  
There were no changes in key accounting estimates during the Reporting Period.

## V. TAXATION

### (I) Main Types of Taxes and Corresponding Rates

Tax type	Basis of taxation	Tax rate	Remark
Value-added tax ("VAT")	Domestic sales, provision of processing, repair and replacement services; provision of tangible moveables leasing services	13%	
	Provision of construction, real property leasing services; sale of real estate; transfer of land use rights	9%	
	Other taxable sales of services	6%	
	Simple taxation method	5% or 3%	
City maintenance and construction tax	Amount of turnover tax paid	7%	
Education surcharge	Amount of turnover tax payable	3%	
Local education surcharge	Amount of turnover tax payable	2%	
Enterprise income tax	Amount of income tax payable	25%, 20%, 15%	
Property tax	Based on 70% of the original value of property (or rental income)	1.2%	



# NOTES TO FINANCIAL STATEMENTS

## V. TAXATION (Continued)

### (II) Main Types of Taxes and Corresponding Rates (Continued)

Income tax rates of different tax-paying entities:

Name of tax-paying entities	Income tax rate
Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司)	25%
Jilin Province Changre Maintenance Service Company Limited* (吉林省長熱維修實業有限公司)	25%
Changchun City Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限責任公司)	25%
Jilin Province Changre Pipelines Transmission Company Limited* (吉林省長熱管網輸送有限公司)	25%
Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司)	15%, effective tax rate 2.5%
Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱儀錶電氣有限公司)	15%, effective tax rate 2.5%
Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司)	25%
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)	25%
Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司)	25%
Jilin Province Hengxin Electricity Co. Ltd.* (吉林省恒信售電有限公司)	20%, effective tax rate 2.5%
Jilin Chuncheng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司)	20%, effective tax rate 2.5%



# NOTES TO FINANCIAL STATEMENTS

## V. TAXATION (Continued)

### (III) Preferential Tax Policies and Basis

#### 1. VAT:

- (1) The Company, Changchun Yatai Heating Co., Ltd.\* (長春亞泰熱力有限責任公司) and Jilin Province Xixing Energy Limited\* (吉林省西興能源有限公司) were subject to the “Notice on the Renewal of Preferential Policies on VAT, Property Tax and Urban Land Use Tax for Heat Supply Enterprises” (Cai Shui [2019] No. 38) (《關於延續供熱企業增值稅房產稅城鎮土地使用稅優惠政策的通知》財稅[2019]38號) issued by the Ministry of Finance and the State Administration of Taxation, which stated that in order to support residents’ heating needs, the policies on VAT, property tax and urban land use tax for heat supply enterprises in the “three north” regions (hereinafter referred to as heat supply enterprises) are as follows: I. Starting from 1 January 2019 to the end of the heating period in 2020, heat supply fee income generated by heat supply enterprises for heat supplied to individual residents (hereinafter collectively referred to as residents) shall be exempted from VAT.

The preferential tax policies stipulated in the Announcement of the Ministry of Finance and the State Administration of Taxation on Extending the Effective Period of Some Preferential Tax Policies (Announcement of the Ministry of Finance and the State Administration of Taxation [2021] No. 6 II) and the Notice of the Ministry of Finance and the State Administration of Taxation on the Renewal of Preferential Policies on VAT, Property Tax and Urban Land Use Tax of Heat Supply Enterprises (Cai Shui [2019] No. 38) were extended to the end of the heat supply period in 2023.

- (2) Pursuant to the “Announcement on Policies Relating to the Deepening of VAT Reform” (Ministry of Finance, State Administration of Taxation, General Administration of Customs Announcement No. 39 of 2019) (《關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告2019年第39號)), from 1 April 2019 to 31 December 2021, a taxpayer in the production or life service industry is allowed to credit the amount of input tax deductible in the current period plus 10% thereof against the amount of taxes payable, and based on the “Notice of the National Bureau of Statistics on the Issuance of the Statistical Classification of Production Service Industry (2019)” (Guo Tong Zi [2019] No. 43) (《國家統計局關於印發(生產性服務業統計分類(2019))的通知》(國統字[2019]43號)), Jilin Province Heating Engineering Design and Research Company Limited\* (吉林省熱力工程設計研究有限責任公司) belongs to the production service industry.



# NOTES TO FINANCIAL STATEMENTS

## V. TAXATION (Continued)

### (III) Preferential Tax Policies and Basis (Continued)

#### 2. Income tax

(1) *Jilin Province Heating Engineering Design and Research Company Limited\** (吉林省熱力工程設計研究有限責任公司)

According to Rule II of Article XXVIII of the “Enterprise Income Tax Law” (《企業所得稅法》), Article XCIII of the “Regulation on the Implementation of the Enterprise Income Tax Law” (《中華人民共和國企業所得稅法實施條例》), the “Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Amendment on Issuing the Administrative Measures for Determination of High and New Tech Enterprises” (Guo Ke Fa Huo [2016] No. 32) (《科技部財政部國家稅務總局關於修訂印發〈高新技術企業認定管理辦法〉的通知》(國科發火{2016}32號)), the “Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Amendment on Issuing the Guidelines for the Administration of the Recognition of Hi-tech Enterprises” (Guo Ke Fa Huo [2016] No. 195) (《科技部財政部國家稅務總局關於修訂印發〈高新技術企業認定管理工作指引〉的通知》(國科發火{2016}195號)), and the “Announcement of the State Administration of Taxation on Issues Relating to the Implementation of Preferential Income Tax Policies for High and New Tech Enterprises” (Announcement of the State Administration of Taxation No. 24 of 2017) (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》(國家稅務總局公告2017年第24號)), High and New Tech Enterprises are subject to corporate income tax at a tax rate of 15%. Since *Jilin Province Heating Engineering Design and Research Company Limited\** (吉林省熱力工程設計研究有限責任公司) has obtained a High and New Tech Enterprise Certificate on 29 November 2022, which is valid for three years, it is eligible for the preferential enterprise income tax policy for High and New Tech Enterprises. On 9 April 2021, the Ministry of Finance and State Administration of Taxation jointly released the Notice on Implementing the Preferential Policies on the Income Tax of Micro and Small Enterprises and Individual Businesses” (Notice of the Ministry of Finance and State Administration of Taxation [2021] No. 12) (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》(財政部稅務總局公告2021年第12號)), as for the annual taxable income of a small low-profit enterprise no more than RMB1 million, the corporate income tax will be reduced in half on the basis of the preferential policies specified in the Article 2 of Cai Shui [2019] No. 13, i.e. the tax rate on the part of the annual taxable income not exceeding RMB1 million being 2.5%. On 14 March 2022, the Ministry of Finance and the State Taxation Administration jointly issued the Notice on Further Implementation of Preferential Income Tax Policies for Micro and Small Enterprises (Notice of the Ministry of Finance and the State Taxation Administration [2022] No. 13) (《關於進一步實施小微企業所得稅優惠政策的公告》(財政部稅務總局公告2022年第13號)), which provides for a reduction of 25% of the annual taxable income for small low-profit enterprise with annual taxable income exceeding RMB1 million but not exceeding RMB3 million, and subject to corporate income tax at a rate of 20%, i.e. a consolidated income tax rate of 5%. In other words, the effective tax burden of *Jilin Province Heating Engineering Design and Research Company Limited* was 2.5% for 2022.



# NOTES TO FINANCIAL STATEMENTS

## V. TAXATION (Continued)

### (III) Preferential Tax Policies and Basis (Continued)

#### 2. Income tax (Continued)

(2) *Jilin Province Changre Electrical Apparatus Company Limited\** (吉林省長熱電氣儀錶有限公司)

Jilin Province Changre Electrical Apparatus Company Limited is subject to a corporate income tax rate of 15% according to Rule II of Article XXVIII of the “Enterprise Income Tax Law” (《企業所得稅法》), Article XCIII of the “Regulation on the Implementation of the Enterprise Income Tax Law” (《中華人民共和國企業所得稅法實施條例》), the “Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Amendment on Issuing the Administrative Measures for Determination of High and New Tech Enterprises” (Guo Ke Fa Huo [2016] No. 32) (《科技部財政部國家稅務總局關於修訂印發〈高新技術企業認定管理辦法〉的通知》(國科發火[2016]32號)), the “Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Amendment on Issuing the Guidelines for the Administration of the Recognition of Hi-tech Enterprises” (Guo Ke Fa Huo [2016] No. 195) (《科技部財政部國家稅務總局關於修訂印發〈高新技術企業認定管理工作指引〉的通知》(國科發火[2016]195號)), and the “Announcement of the State Administration of Taxation on Issues Relating to the Implementation of Preferential Income Tax Policies for High and New Tech Enterprises” (Announcement of the State Administration of Taxation No. 24 of 2017) (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》(國家稅務總局公告2017年第24號)), which stated that High and New Tech Enterprises are subject to corporate income tax at a tax rate of 15%. Since Jilin Province Changre Electrical Apparatus Company Limited has obtained a High and New Tech Enterprise Certificate on 10 September 2020, which is valid for three years. On 9 April 2021, the Ministry of Finance and State Administration of Taxation jointly released the Notice on Implementing the Preferential Policies on the Income Tax of Micro and Small Enterprises and Individual Businesses” (Notice of the Ministry of Finance and State Administration of Taxation [2021] No. 12) (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》(財政部稅務總局公告2021年第12號)), as for the annual taxable income of a small low-profit enterprise no more than RMB1 million, the corporate income tax will be reduced in half on the basis of the preferential policies specified in the Article 2 of Cai Shui [2019] No. 13, i.e. the tax rate on the part of the annual taxable income not exceeding RMB1 million being 2.5%. On 14 March 2022, the Ministry of Finance and the State Taxation Administration jointly issued the Notice on Further Implementation of Preferential Income Tax Policies for Micro and Small Enterprises (Notice of the Ministry of Finance and the State Taxation Administration [2022] No. 13) (《關於進一步實施小微企業所得稅優惠政策的公告》(財政部稅務總局公告2022年第13號)), which provides for a reduction of 25% of the annual taxable income for small low-profit enterprise with annual taxable income exceeding RMB1 million but not exceeding RMB3 million, and subject to corporate income tax at a rate of 20%, i.e. a consolidated income tax rate of 5%. In other words, the effective tax burden of Jilin Province Changre Electrical Apparatus Company Limited was 2.5% for 2022.





# NOTES TO FINANCIAL STATEMENTS

## V. TAXATION (Continued)

### (III) Preferential Tax Policies and Basis (Continued)

#### 2. Income tax (Continued)

##### (3) *Jilin Province Hengxin Electricity Co. Ltd.\* (吉林省恒信售電有限公司)*

On April 9, 2021, the Ministry of Finance and State Administration of Taxation jointly released the Notice on Implementing the Preferential Policies on the Income Tax of Micro and Small Enterprises and Individual Businesses” (Notice of the Ministry of Finance and State Administration of Taxation [2021] No. 12), stipulating that, as for the annual taxable income of a small low-profit enterprise no more than RMB1 million, the corporate income tax will be reduced in half on the basis of the preferential policies specified in the Article 2 of Cai Shui [2019] No. 13, i.e. the tax rate on the part of the annual taxable income not exceeding RMB1 million being 2.5%. On 14 March 2022, the Ministry of Finance and the State Taxation Administration jointly issued the Notice on Further Implementation of Preferential Income Tax Policies for Micro and Small Enterprises (Notice of the Ministry of Finance and the State Taxation Administration [2022] No. 13) [《關於進一步實施小微企業所得稅優惠政策的公告》(財政部稅務總局公告2022年第13號)], which provides for a reduction of 25% of the annual taxable income for small low-profit enterprise with annual taxable income exceeding RMB1 million but not exceeding RMB3 million, and subject to corporate income tax at a rate of 20%, i.e. a consolidated income tax rate of 5%. In other words, the effective tax rate of Jilin Province Hengxin Electricity Co. Ltd. was 2.5% for 2022.

##### (4) *Jilin Chuncheng Clean Energy Company Limited (吉林省春城清潔能源有限責任公司)*

On 9 April 2021, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Implementing the Preferential Policies on the Income Tax of Micro and Small Enterprises and Individual Businesses” (Notice of the Ministry of Finance and State Administration of Taxation [2021] No. 12), pursuant to which, for small and micro enterprises, the portion of annual taxable income not exceeding RMB1 million is subject to a corporate tax rate that have been halved on the basis of the existing preferential policy stipulated in the Article 2 of Cai Shui [2019] No. 13, i.e. the tax rate on the part of the annual taxable income not exceeding RMB1 million being 2.5%. On 14 March 2022, the Ministry of Finance and the State Taxation Administration jointly issued the Notice on Further Implementation of Preferential Income Tax Policies for Micro and Small Enterprises (Notice of the Ministry of Finance and the State Taxation Administration [2022] No. 13) [《關於進一步實施小微企業所得稅優惠政策的公告》(財政部稅務總局公告2022年第13號)], which provides for a reduction of 25% of the annual taxable income for small low-profit enterprise with annual taxable income exceeding RMB1 million but not exceeding RMB3 million, and subject to corporate income tax at a rate of 20%, i.e. a consolidated income tax rate of 5%. In other words, the effective tax burden of Jilin Chuncheng Clean Energy Company Limited was 2.5% for 2022.



# NOTES TO FINANCIAL STATEMENTS

## V. TAXATION (Continued)

### (III) Preferential Tax Policies and Basis (Continued)

#### 3. Other taxes

According to the “Notice on Extension of Preferential Policies on VAT, Property Tax and Urban Land Use Tax for Heat Supply Enterprises” (Cai Shui [2019] No. 38) [《關於延續供熱企業增值稅房產稅城鎮土地使用稅優惠政策的通知》財稅[2019]38號] issued by the Ministry of Finance and the State Administration of Taxation, in order to support heat supply for residents, the policies on VAT, property tax and urban land use tax for heat supply enterprises in the “Three Northern Areas” (hereinafter referred to as heat supply enterprises) were announced as follows: II. from 1 January 2019 to 31 December 2020, for heat supply enterprises that receive heat supply fees for supplying heat to residents, the plant and land used for supplying heat to residents shall be exempted from property tax and urban land use tax; for other plants and lands of heat supply enterprises, property tax and urban land use tax shall be levied in accordance with the relevant regulations.

According to the tax preferential policies stipulated in the “Notice on Extension of Preferential Policies on VAT, Property Tax and Urban Land Use Tax for Heat Supply Enterprises” (Cai Shui [2019] No. 38) issued by the Ministry of Finance and the State Administration of Taxation under the Article 2 of the “Announcement of the Ministry of Finance and the State Administration of Taxation on Extending the Implementation Period of Certain Preferential Tax Policies” (Announcement [2021] No. 6) [財政部稅務總局關於延長部分稅收優惠政策執行期限的公告財政部稅務總局公告2021年第6號], the implementation period is extended to the end of the heating period in 2023.



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS

### Remark 1. Monetary Fund

Item	Closing balance	Opening balance
Cash on hand		
Bank deposits	<b>1,030,236,102.05</b>	662,306,698.15
Other monetary fund	<b>4,200,000.00</b>	2,000,000.00
Undue interest receivables		
Total	<b>1,034,436,102.05</b>	664,306,698.15
Of which: Total amount of overseas funds		

The breakdown of these restricted monetary funds is as follows:

Item	Closing balance	Opening balance
Performance Deposit	<b>4,200,000.00</b>	
Total	<b>4,200,000.00</b>	

### Remark 2. Trade Receivables

- Disclosure of trade receivables based on ageing

Ageing	Closing balance	Opening balance
Within 1 year	<b>107,633,751.13</b>	132,043,172.92
1 to 2 years	<b>30,085,813.21</b>	122,066,008.36
2 to 3 years	<b>14,284,030.74</b>	41,783,027.54
3 to 4 years	<b>28,117,661.93</b>	4,079,250.65
4 to 5 years	<b>3,295,453.89</b>	4,009,427.60
Over 5 years	<b>14,493,004.42</b>	12,384,620.68
Sub-total	<b>197,909,715.32</b>	316,365,507.75
Less: Provision for bad debts	<b>58,083,797.24</b>	93,304,508.74
Total	<b>139,825,918.08</b>	223,060,999.01



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 2. Trade Receivables (Continued)

2. Disclosure based on classification of provision method for bad debts

Category	Closing balance				
	Carrying balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount
Trade receivables subjected to provision for ECL on individual basis					
Trade receivables subjected to provision for ECL on portfolio basis	197,909,715.32	100.00	58,083,797.24	29.35	139,825,918.08
Of which: Ageing analysis portfolio –					
Heat supply business	78,820,552.11	39.83	8,711,236.73	11.05	70,109,315.38
Ageing analysis portfolio –					
Basic heating fee	24,355,520.50	12.30	6,809,148.02	27.96	17,546,372.48
Ageing analysis portfolio –					
Engineering business	78,502,577.46	39.67	40,831,926.02	52.01	37,670,651.44
Related party portfolio	16,231,065.25	8.20	1,731,486.47	10.67	14,499,578.78
Total	197,909,715.32	100.00	58,083,797.24	29.35	139,825,918.08

Category	Opening balance				
	Carrying balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount
Trade receivables subjected to provision for ECL on individual basis					
Trade receivables subjected to provision for ECL on portfolio basis	316,365,507.75	100.00	93,304,508.74	29.49	223,060,999.01
Of which: Ageing analysis portfolio –					
Heat supply business	44,695,969.65	14.13	6,683,819.36	14.95	38,012,150.29
Ageing analysis portfolio –					
Basic heating fee	18,470,511.45	5.84	7,180,582.24	38.88	11,289,929.21
Ageing analysis portfolio –					
Engineering business	218,596,427.45	69.09	76,170,965.48	34.85	142,425,461.97
Related party portfolio	34,602,599.20	10.94	3,269,141.66	9.45	31,333,457.54
Total	316,365,507.75	100.00	93,304,508.74	29.49	223,060,999.01



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 2. Trade Receivables (Continued)

3. Trade receivables subjected to provision for ECL on portfolio basis

(1) Ageing analysis portfolio — Heat supply business

Ageing	Carrying balance	Closing balance Provision for bad debts	Proportion of provision (%)
Within 1 year	63,208,967.32	1,637,112.25	2.59
1 to 2 years	5,550,401.05	771,505.76	13.90
2 to 3 years	4,531,958.00	1,216,377.52	26.84
3 to 4 years	294,916.71	114,988.01	38.99
4 to 5 years	594,476.47	331,420.63	55.75
Over 5 years	4,639,832.56	4,639,832.56	100.00
<b>Total</b>	<b>78,820,552.11</b>	<b>8,711,236.73</b>	<b>11.05</b>

Ageing	Carrying balance	Opening balance Provision for bad debts	Proportion of provision (%)
Within 1 year	33,061,328.66	648,856.73	1.96
1 to 2 years	5,410,637.33	567,381.46	10.49
2 to 3 years	397,703.93	95,125.77	23.92
3 to 4 years	699,333.22	251,186.49	35.92
4 to 5 years	12,473.65	6,776.05	54.32
Over 5 years	5,114,492.86	5,114,492.86	100.00
<b>Total</b>	<b>44,695,969.65</b>	<b>6,683,819.36</b>	<b>14.95</b>



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 2. Trade Receivables (Continued)

3. Trade receivables subjected to provision for ECL on portfolio basis (Continued)

(2) Ageing analysis portfolio — Basic heating fee

Ageing	Carrying balance	Closing balance Provision for bad debts	Proportion of provision (%)
Within 1 year	10,526,617.38	696,862.06	6.62
1 to 2 years	7,313,717.02	886,422.49	12.12
2 to 3 years	741,584.19	145,943.77	19.68
3 to 4 years	872,646.40	302,808.30	34.70
4 to 5 years	296,845.90	173,001.79	58.28
Over 5 years	4,604,109.61	4,604,109.61	100.00
Total	24,355,520.50	6,809,148.02	27.96

Ageing	Carrying balance	Opening balance Provision for bad debts	Proportion of provision (%)
Within 1 year	9,298,226.73	747,803.47	8.04
1 to 2 years	1,398,460.39	228,492.73	16.34
2 to 3 years	1,421,706.50	341,839.74	24.04
3 to 4 years	687,785.91	287,865.20	41.85
4 to 5 years	244,932.55	155,181.73	63.36
Over 5 years	5,419,399.37	5,419,399.37	100.00
Total	18,470,511.45	7,180,582.24	38.88



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 2. Trade Receivables (Continued)

3. Trade receivables subjected to provision for ECL on portfolio basis (Continued)

(3) Ageing analysis portfolio — Engineering business

Ageing	Carrying balance	Closing balance Provision for bad debts	Proportion of provision (%)
Within 1 year	19,336,662.09	1,102,189.74	5.70
1 to 2 years	16,547,134.23	3,632,095.97	21.95
2 to 3 years	8,815,488.55	5,314,858.05	60.29
3 to 4 years	26,350,098.82	23,422,602.84	88.89
4 to 5 years	2,204,131.52	2,111,117.17	95.78
Over 5 years	5,249,062.25	5,249,062.25	100.00
Total	78,502,577.46	40,831,926.02	52.01

Ageing	Carrying balance	Opening balance Provision for bad debts	Proportion of provision (%)
Within 1 year	55,079,039.51	4,294,648.02	7.80
1 to 2 years	115,401,397.75	34,378,159.62	29.79
2 to 3 years	40,021,108.82	29,777,293.09	74.40
3 to 4 years	2,492,131.52	2,211,483.34	88.74
4 to 5 years	3,752,021.40	3,658,652.96	97.51
Over 5 years	1,850,728.45	1,850,728.45	100.00
Total	218,596,427.45	76,170,965.48	34.85



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 2. Trade Receivables (Continued)

4. Provision in the current period, provision for bad debts recovered or reversed

Category	1 January 2022	Movement during the current period			31 December 2022
		Provision	Recovered or reversed	Write-off Other changes	
Trade receivables subjected to provision for ECL on individual basis					
Trade receivables subjected to provision for ECL on portfolio basis	93,304,508.74	19,614,533.20	54,835,244.70		<b>58,083,797.24</b>
Of which: Ageing analysis portfolio – Heat supply business	6,683,819.36	2,878,082.83	850,665.46		<b>8,711,236.73</b>
Ageing analysis portfolio-Basic Heating fee	7,180,582.24	820,728.10	1,192,162.32		<b>6,809,148.02</b>
Ageing analysis portfolio-Engineering business	76,170,965.48	14,917,885.00	50,256,924.46		<b>40,831,926.02</b>
Related party portfolio	3,269,141.66	997,837.27	2,535,492.46		<b>1,731,486.47</b>
<b>Total</b>	<b>93,304,508.74</b>	<b>19,614,533.20</b>	<b>54,835,244.70</b>		<b>58,083,797.24</b>





# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 2. Trade Receivables (Continued)

5. Particulars of the top five trade receivables at the end of the period

Name	Closing balance	Percentage to the closing balance of trade receivables (%)	Provision for bad debts made
China Railway 9th Bureau Group Co., Ltd.* (中鐵九局集團有限公司)	<b>32,092,013.49</b>	16.22	25,173,974.82
Wangqing County Yixin Coal Co., Ltd.* (汪清縣億鑫煤炭有限公司)	<b>18,153,000.00</b>	9.17	470,162.70
Road & Bridge International Co., Ltd.* (中交路橋建設有限公司)	<b>14,445,568.82</b>	7.30	2,545,121.87
Jilin Tongxin Heating Group Co., Ltd.* (吉林同鑫熱力集團股份有限公司)	<b>14,046,143.45</b>	7.10	363,795.12
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	<b>10,983,369.94</b>	5.55	637,370.08
Total	<b>89,720,095.70</b>	45.34	29,190,424.59



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 3. Prepayments

#### 1. Prepayments by ageing

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	585,641,314.53	99.70	507,371,660.86	99.68
1 to 2 years	230,468.52	0.04	12,704.44	0.01
2 to 3 years			1,553,425.02	0.31
Over 3 years	1,553,425.02	0.26		
<b>Total</b>	<b>587,425,208.07</b>	<b>100.00</b>	<b>508,937,790.32</b>	<b>100.00</b>

#### 2. Description of reasons for delay in settlement of significant prepayments ageing over 1 year as at the end of the Reporting Period

Name	31 December 2022	Ageing	Reasons for delay in settlement
Shuangyashan Yatai Coal Industry Co., Ltd.* (雙鴨山亞泰煤業有限公司)	1,553,425.02	over 3 years	Set-off agreement has been signed
<b>Total</b>	<b>1,553,425.02</b>		

#### 3. Particulars of the top five prepayments at the end of the period

Name	Closing balance	Percentage to the total prepayments (%)
Datang Changchun No.2 Thermal Power Co., Ltd.* (大唐長春第二熱電有限責任公司)	242,806,644.00	41.33
Huaneng Jilin Energy Sales Co., Ltd.* (華能吉林能源銷售有限公司)	127,913,789.99	21.78
Changchun Thermal Power Branch of Jilin Electric Power Co., Ltd.* (吉林電力股份有限公司長春熱電分公司)	143,951,891.83	24.51
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	40,897,797.61	6.96
Changchun Gaoxin Construction Group Company Limited* (長春高欣建設集團有限公司)	10,692,000.00	1.82
<b>Total</b>	<b>566,262,123.43</b>	<b>96.40</b>



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 4. Other Receivables

Item	Closing balance	Opening balance
Interest receivables		
Dividend receivables		
Other receivables	<b>17,686,677.50</b>	6,941,347.08
Total	<b>17,686,677.50</b>	6,941,347.08

#### (I) Other Receivables

##### 1. Disclosure based on ageing

Ageing	Closing balance	Opening balance
Within 1 year	<b>16,001,974.78</b>	7,147,782.62
1 to 2 years	<b>4,351,530.11</b>	106,330.12
2 to 3 years	<b>68,600.00</b>	38,217.92
3 to 4 years	<b>38,217.92</b>	276,083.00
4 to 5 years	<b>139,083.00</b>	175,183.54
Over 5 years	<b>1,580,046.74</b>	1,404,863.20
Sub-total	<b>22,179,452.55</b>	9,148,460.40
Less: Provision for bad debts	<b>4,492,775.05</b>	2,207,113.32
Total	<b>17,686,677.50</b>	6,941,347.08



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 4. Other Receivables (Continued)

(I) Other Receivables (Continued)

2. Classification by nature of the amount

Nature of the amount	Closing balance	Opening balance
Guarantee	<b>477,000.00</b>	338,083.00
Petty money	<b>735,248.83</b>	1,339,895.32
Current account payment	<b>17,264,167.16</b>	6,450,139.80
Other	<b>3,703,036.56</b>	1,020,342.28
<b>Total</b>	<b>22,179,452.55</b>	9,148,460.40

3. Disclosure based on three stages of financial asset impairment

Item	Closing balance			Opening balance		
	Carrying balance	Provision for bad debts	Carrying amount	Carrying balance	Provision for bad debts	Carrying amount
Stage one	<b>20,974,589.35</b>	<b>3,287,911.85</b>	<b>17,686,677.50</b>	7,943,597.20	1,002,250.12	6,941,347.08
Stage two						
Stage three	<b>1,204,863.20</b>	<b>1,204,863.20</b>		1,204,863.20	1,204,863.20	
<b>Total</b>	<b>22,179,452.55</b>	<b>4,492,775.05</b>	<b>17,686,677.50</b>	9,148,460.40	2,207,113.32	6,941,347.08



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 4. Other Receivables (Continued)

(I) Other Receivables (Continued)

4. Particulars of provision for bad debts of other receivables

<b>Provision for bad debts</b>	<b>Stage one Future 12-months ECL</b>	<b>Stage two Lifetime ECL (not credit impaired)</b>	<b>Stage three Lifetime ECL (credit impaired)</b>	<b>Total</b>
Opening balance	1,002,250.12		1,204,863.20	2,207,113.32
Opening balance during the current period which:				
— transferred to stage two				
— transferred to stage three				
— reversed to stage two				
— reversed to stage one				
Provision in the current period	2,285,661.73			2,285,661.73
Reversal in the current period				
Charge-off in the current period				
Written-off in the current period				
Other changes				
Closing balance	3,287,911.85		1,204,863.20	4,492,775.05



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 4. Other Receivables (Continued)

(I) Other Receivables (Continued)

5. During the Reporting Period, no other Receivable were written off.

6. Particulars of the top five other receivables at the end of the period

Name	Nature of the amount	Closing balance	Ageing	Percentage to the closing balance of other receivables (%)	Closing balance of provision for bad debts
Listing service fees	Current account payment	8,114,150.91	Within 1 year, 1-2 year	36.58	1,531,679.53
Jilin Yatai (Group) Co.,Ltd.	Current account payment	7,945,152.84	Within 1 year	35.82	701,557.00
Jilin Sanyi Environmental Boiler Co., Ltd.* (吉林省三意環保鍋爐有限公司)	Current account payment	1,204,863.20	Over 5 years	5.43	1,204,863.20
Changchun Social Medical Insurance Administration Authority* (長春市社會醫療保險管理局)	Guarantee	216,720.02	Within 1 year	0.98	19,136.38
Jilin Lida Furniture Company* (吉林省利達家具公司)	Current account payment	200,000.00	Over 5 years	0.90	200,000.00
Total	—	17,680,886.97		79.71	3,657,236.11



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 5. Inventories

#### 1. Classification of inventories

Item	Closing balance		Carrying amount	Opening balance		Carrying amount
	Carrying balance	Provision for decline in value		Carrying balance	Provision for decline in value	
Raw materials	11,092,401.88	6,221,771.86	4,870,630.02	31,136,184.02	6,221,771.86	24,914,412.16
Inventories	2,583,214.19		2,583,214.19	5,435,411.11		5,435,411.11
Revolving materials	34,025.17		34,025.17	34,272.87		34,272.87
<b>Total</b>	<b>13,709,641.24</b>	<b>6,221,771.86</b>	<b>7,487,869.38</b>	<b>36,605,868.00</b>	<b>6,221,771.86</b>	<b>30,384,096.14</b>

#### 2. Provision for decline in value of inventories

Item	Opening balance	Increase during the current period		Decrease during the current period		Closing balance
		Provision	Other	Reversal	Charge-off Other	
Raw materials	6,221,771.86					6,221,771.86
<b>Total</b>	<b>6,221,771.86</b>					<b>6,221,771.86</b>

Description of provision for decline in value of inventories:

The net realizable value is determined based on the estimated selling price of the relevant raw materials less estimated selling expenses and related taxes. The reversal in the current period was attributable to the higher net realizable value of the inventory than its carrying amount due to the absence of previous inventory impairment .



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 6. Contract Assets

#### 1. Particulars of contract assets

Item	Closing balance		Carrying amount	Opening balance		Carrying amount
	Carrying balance	Impairment provision		Carrying balance	Impairment provision	
Amounts completed but unsettled	133,456,297.15	53,508,511.47	79,947,785.68	144,135,217.97	35,091,583.04	109,043,634.93
Quality guarantee deposit	13,969,863.36	4,554,518.93	9,415,344.43	29,993,650.78	5,876,005.39	24,117,645.39
Total	147,426,160.51	58,063,030.40	89,363,130.11	174,128,868.75	40,967,588.43	133,161,280.32

#### 2. Amount and reasons for significant changes in carrying amount during the Reporting Period

Items	Amount of change in 2022	Reason for changes
China Railway 9th Bureau 4th Engineering Co., Ltd.* (中鐵九局集團第四工程有限公司)	-17,582,456.33	Settlement was made
Changchun Investment and Construction (Group) Co., Ltd.* (長春城投建設投資(集團)有限公司)	-1,783,939.48	Settlement was made
Yanji Heating Company* (延吉市熱力公司)	-1,163,697.75	Settlement was made
Jilin Heating Tumen Utility Co., Ltd* (吉熱集團圖們市公用事業有限公司)	-3,164,533.15	Settlement was made
Total	-23,694,626.71	

#### 3. Particulars of impairment provision for contract assets during the current period

Item	Opening balance	Movement during the current period			Closing balance
		Provision	Reversal	Charge-off or write-off	
Amounts completed but unsettled	35,091,583.04	28,385,417.06	9,968,488.63		53,508,511.47
Quality guarantee deposit	5,876,005.39	1,983,877.39	3,305,363.85		4,554,518.93
Total	40,967,588.43	30,369,294.45	13,273,852.48		58,063,030.40





# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 7. Other Current Assets

1. List of other current assets

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
Input tax to be deducted	<b>14,092,685.65</b>	11,634,284.62
Prepaid tax	<b>3,170,961.48</b>	5,598,626.45
Total	<b>17,263,647.13</b>	17,232,911.07



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 8. Investment Properties

#### 1. Particulars of investment properties

Item	Buildings	Land use right	Constructions in progress	Total
I. Original carrying amount				
1. Opening balance	11,248,606.61			11,248,606.61
2. Increase during the current period				
3. Decrease during the current period	10,955,325.46			10,955,325.46
4. Closing balance	293,281.15			293,281.15
II. Accumulated depreciation (amortisation)				
1. Opening balance	3,734,896.20			3,734,896.20
2. Increase during the current period	958.50			958.50
Provision for the period	958.50			958.50
3. Decrease during the current period	3,469,555.82			3,469,555.82
4. Closing balance	266,298.88			266,298.88
III. Impairment provision				
IV. Carrying amount				
1. Closing carrying amount	26,982.27			26,982.27
2. Opening carrying amount	7,513,710.41			7,513,710.41

### Remark 9. Fixed Assets

Item	Closing balance	Opening balance
Fixed assets	<b>984,808,829.76</b>	1,045,874,487.44
Liquidation of fixed assets		
Total	<b>984,808,829.76</b>	1,045,874,487.44

Note: The fixed assets in the above table refer to the fixed assets after deducting disposal of fixed assets.



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 9. Fixed Assets (Continued)

#### (I) Fixed Assets

##### 1. Particulars of fixed assets

Item	Property and buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Pipeline network	Office equipment	Total
I. Original carrying amount							
1. Opening balance	60,917,037.48	628,450,685.45	19,554,984.49	63,590,180.30	1,917,736,886.97	2,003,904.76	2,692,253,679.45
2. Increase during the current period	11,123,324.03	30,729,999.89	158,836.29	3,184,909.58	32,840,130.91	215,180.95	78,252,381.65
Addition	177,739.03	3,159,074.06	158,836.29	3,184,909.58		137,749.56	6,818,308.52
Transfer from construction-in-progress		26,671,105.66			32,840,130.91	77,431.39	59,588,667.96
Increase from other causes	10,945,585.00	899,820.17					11,845,405.17
3. Decrease during the current period		13,021.19					13,021.19
Disposal or retirement		13,021.19					13,021.19
Decrease from other causes							
4. Closing balance	72,040,361.51	659,167,664.15	19,713,820.78	66,775,089.88	1,950,577,017.88	2,219,085.71	2,770,493,039.91
II. Accumulated depreciation							
1. Opening balance	26,013,895.83	403,460,422.20	13,837,348.19	43,135,827.54	1,153,127,761.45	1,593,167.94	1,641,168,423.15
2. Increase during the current period	6,975,686.06	38,254,495.67	1,433,646.75	7,954,110.71	84,481,056.08	206,022.87	139,305,018.14
Provision for the period	3,506,130.24	38,254,495.67	1,433,646.75	7,954,110.71	84,481,056.08	206,022.87	135,835,462.32
Increase from other causes	3,469,555.82						3,469,555.82
3. Decrease during the current period							
Disposal or retirement							
Decrease from other causes							
4. Closing balance	32,989,581.89	441,714,917.87	15,270,994.94	51,089,938.25	1,237,608,817.53	1,799,190.81	1,780,473,441.29
III. Impairment provision							
1. Opening balance		5,181,249.75	2,005.21	957.28	26,556.62		5,210,768.86
2. Increase during the current period							
Provision for the period							
3. Decrease during the current period							
4. Closing balance		5,181,249.75	2,005.21	957.28	26,556.62		5,210,768.86
IV. Carrying amount							
1. Closing carrying amount	39,050,779.62	212,271,496.53	4,440,820.63	15,684,194.35	712,941,643.73	419,894.90	984,808,829.76
2. Opening carrying amount	34,903,141.65	219,809,013.50	5,715,631.09	20,453,395.48	764,582,568.90	410,736.82	1,045,874,487.44



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 9. Fixed Assets (Continued)

#### (I) Fixed Assets (Continued)

- There were no fixed assets which are temporarily idle at the end of the period.
- There were no fixed assets which are leased out under operating lease.
- Fixed assets which do not have certificates of title at the end of the period:

Item	Carrying amount	Reasons for not having certificates of title
Property and buildings	<b>246,982.15</b>	Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司), a subsidiary of the Company, has boiler plant, substation plant and office building with a carrying value of RMB246,982.15 as at 31 December 2022 and has no property right certificates in respect thereof; the land on which the building is located has been expropriated by the government and the nature of the land has been changed to state-owned. Accordingly, the land on which the building is located is unable to go through the procedures of application for property right, which made it unable to be processed for property title.
Property and buildings	<b>10,383,398.88</b>	The carrying amount of the plant of Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司), a subsidiary of the Company, was presented at RMB10,383,398.88 as at 31 December 2022, with no certificate of title; The land on which the building is located have not yet be processed for property title.
Total	<b>10,630,381.03</b>	

#### (II) Disposal of fixed assets

Nil.



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 10. Construction-in-progress

<b>Item</b>	<b>Closing balance</b>	<b>Opening balance</b>
Construction-in-progress	<b>3,638,279.84</b>	4,992,455.89
Construction materials	<b>12,998,773.43</b>	9,329,510.37
<b>Total</b>	<b>16,637,053.27</b>	14,321,966.26

Note: The construction-in-progress in the above table refer to the construction-in-progress after deducting construction materials.



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 10. Construction-in-progress (Continued)

#### (I) Construction-in-progress

##### 1. Particulars of construction-in-progress

Item	Closing balance		Carrying amount	Opening balance		Carrying amount
	Carrying balance	Provision for impairment		Carrying balance	Provision for impairment	
Xinxingyu heating line (新星宇熱力幹線)				2,883,588.99		2,883,588.99
Plot BGH heat exchange station (BGH地塊換熱站)	<b>1,103,662.57</b>		<b>1,103,662.57</b>	1,103,662.57		1,103,662.57
Chuncheng Biomass Heating Source Plant Improving Project 2022 (2022年春城生物質熱源廠完善 工程)	<b>657,850.48</b>		<b>657,850.48</b>			
Others	<b>1,876,766.79</b>		<b>1,876,766.79</b>	1,005,204.33		1,005,204.33
Total	<b>3,638,279.84</b>		<b>3,638,279.84</b>	4,992,455.89		4,992,455.89



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 10. Construction-in-progress (Continued)

(I) Construction-in-progress (Continued)

2. Movements in material construction-in-progress during the current period

Name of the construction project	Opening balance	Increase during the current period	Transferred to fixed assets during the current period	Other decrease during the current period	Closing balance
Xinxingyu heating line (新星宇熱力幹線) Plot BGH heat exchange station (BGH地塊換熱站)	2,883,588.99 1,103,662.57	13,749,965.96	16,633,554.95		<b>1,103,662.57</b>
Chuncheng Biomass Heating Source Plant Improving Project 2022 (2022年春城生物質熱源廠完善工程)		657,850.48			<b>657,850.48</b>
New construction of Chongwen Branch* (崇文支線新建工程)		3,622,399.76	3,622,399.76		
Heat supply project of Jilin Xincun Housing Development Co. * (吉林省新村房屋開 發有限公司供熱工程)		1,154,693.17	1,154,693.17		
Heat supply project of Changchun City Linshun Real Estate Development Co., Ltd* (長春市領順房地產開發有限公司供 熱工程)		1,831,931.26	1,831,931.26		
Pipeline network project of Changchun Lingshun Real Estate Development Co., Ltd* (長春市領順房地產開發有限公司管 網工程)		3,087,707.17	3,087,707.17		
Heat supply project of Jilin Hongfu Real Estate Development Co., Ltd* (吉林省弘 富房地產開發有限責任公司供熱工程)		1,939,469.78	1,939,469.78		
Pipeline network project of Jilin Xincun Housing Development Co., Ltd* (吉林省 新村房屋開發有限公司管網工程)		4,827,711.45	4,827,711.45		
Fuyang Real Estate Heating Project* (富陽 地產供熱工程)		2,965,623.08	2,965,623.08		
<b>Total</b>	<b>3,987,251.56</b>	<b>33,837,352.11</b>	<b>36,063,090.62</b>		<b>1,761,513.05</b>



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 10. Construction-in-progress (Continued)

(I) Construction-in-progress (Continued)

2. Movements in material construction-in-progress during the current period (Continued)

Name of the construction project	Budget (RMB10'000)	Percentage of input over budget (%)	Construction progress (%)	Accumulated amount of interest capitalised	Of which: Interest capitalized during the current period	Interest Capitalisation rate for the period (%)	Source of fund
Xinxingyu heating line (新星宇熱力幹線)	3,751.00	100.00	100.00				Self-financing
Plot BGH heat exchange station (BGH地塊換熱站)	147.67	74.74	95.00				Self-financing
Chuncheng Biomass Heating Source Plant Improving Project 2022 (2022年春城生物質熱源廠完善工程)	640.28	34.37	34.37				Self-financing
New construction of Chongwen Branch* (崇文支線新建工程)		100.00	100.00				Self-financing
Heat supply project of Jilin Xincun Housing Development Co. * (吉林省新村房屋開發有限公司供熱工程)		100.00	100.00				Self-financing
Heat supply project of Changchun City Linshun Real Estate Development Co., Ltd* (長春市領順房地產開發有限公司供熱工程)		100.00	100.00				Self-financing
Pipeline network project of Changchun Lingshun Real Estate Development Co., Ltd* (長春市領順房地產開發有限公司管網工程)		100.00	100.00				Self-financing
Heat supply project of Jilin Hongfu Real Estate Development Co., Ltd* (吉林省弘富房地產開發有限公司供熱工程)		100.00	100.00				Self-financing
Pipeline network project of Jilin Xincun Housing Development Co., Ltd* (吉林省新村房屋開發有限公司管網工程)		100.00	100.00				Self-financing
Fuyang Real Estate Heating Project* (富陽地產供熱工程)		100.00	100.00				Self-financing
<b>Total</b>	<b>4,538.95</b>						

3. There were no additional description of construction-in-progress.





# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 10. Construction-in-progress (Continued)

#### (II) Construction materials

##### 1. Particulars of construction materials

Item	Closing balance			Opening balance		
	Carrying balance	Provision for impairment	Carrying amount	Carrying balance	Provision for impairment	Carrying amount
Materials for construction	16,630,393.50	4,284,537.99	12,345,855.51	13,199,942.92	4,284,537.99	8,915,404.93
Equipment not yet installed	2,898,122.88	2,401,240.36	496,882.52	2,809,168.81	2,401,240.36	407,928.45
Equipment for construction	375,671.41	219,636.01	156,035.40	225,813.00	219,636.01	6,176.99
Total	19,904,187.79	6,905,414.36	12,998,773.43	16,234,924.73	6,905,414.36	9,329,510.37

##### 2. Impairment provision for construction materials during the Reporting Period

No impairment provision for construction materials was made in the Reporting Period.



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 11. Right-of-use Assets

Item	Property and buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Total
I. Original carrying amount					
1. Opening balance	6,800,434.67				6,800,434.67
2. Increase during the current period					
3. Decrease during the current period					
Expiration of lease					
4. Closing balance	6,800,434.67				6,800,434.67
II. Accumulated depreciation					
1. Opening balance	5,149,843.62				5,149,843.62
2. Increase during the current period	941,987.68				941,987.68
Provision for the period	941,987.68				941,987.68
3. Decrease during the current period					
4. Closing balance	6,091,831.30				6,091,831.30
III. Impairment provision					
IV. Carrying amount					
1. Opening carrying amount	708,603.37				708,603.37
2. Closing carrying amount	1,650,591.05				1,650,591.05



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 12. Intangible Assets

#### 1. Particulars of intangible assets

Item	Land use right	Patent	Software	Total
I. Original carrying amount				
1. Opening balance	7,712,535.00	87,659.53	9,747,320.83	17,547,515.36
2. Increase during the current period			907,938.84	907,938.84
Addition			907,938.84	907,938.84
3. Decrease during the current period				
4. Closing balance	7,712,535.00	87,659.53	10,655,259.67	18,455,454.20
II. Accumulated amortisation				
1. Opening balance	55,084.92	17,063.30	2,513,086.59	2,585,234.81
2. Increase during the current period	154,669.07	8,765.88	1,019,328.12	1,182,763.07
Reclassification				
Provision for the period	154,669.07	8,765.88	1,019,328.12	1,182,763.07
Business combination not under common control				
3. Decrease during the current period				
4. Closing balance	209,753.99	25,829.18	3,532,414.71	3,767,997.88
III. Impairment provision				
1. Opening balance				
2. Increase during the current period				
3. Decrease during the current period				
Disposal of subsidiaries				
Other transferring out				
4. Closing balance				
IV. Carrying amount				
1. Closing carrying amount	7,502,781.01	61,830.35	7,122,844.96	14,687,456.32
2. Opening carrying amount	7,657,450.08	70,596.23	7,234,234.24	14,962,280.55



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 12. Intangible Assets (Continued)

2. Land use rights which have no certificates of title

Item	Carrying amount	Reasons for having no certificates of title
Land use rights	7,474,430.00	The carrying amount of the land use rights of Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司), a subsidiary of the Company, was presented at RMB7,474,430.00 as at 31 December 2022, with procedure of land title not yet completed.
Total	7,474,430.00	



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 13. Goodwill

#### 1. Original carrying amount of goodwill

Name of investee or item which generated goodwill	Opening balance	Increase during the current period		Decrease during the current period		Closing balance
		Generated from business combination	Others	Disposal	Others	
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)	74,847,680.43					74,847,680.43
Total	74,847,680.43					74,847,680.43

Note: In December 2019, goodwill of RMB74,847,680.43 was formed from the combination of Yatai Heating, which was not a combination under common control, by Changchun Chun Cheng Investment Development Group Company Limited\* (長春市春城投資發展集團有限公司), the parent company of our Company. In December 2020, the Company entered into an equity transfer agreement with Chun Cheng Investment Group for the acquisition of 100% equity interest in Yatai Heating. The Company and Yatai Heating are controlled by Chun Cheng Investment Group before and after the combination and such control is not transitory, therefore, the combination of Yatai Heating by the Company represents a business combination under common control.

#### 2. Information about the asset group or portfolio of asset groups in which goodwill is located

Item	Composition of the asset group or portfolio of asset groups	Recoverable amount of the asset group in which goodwill is located	Method of determination	Whether the asset group or portfolio of asset groups is consistent with the asset group or portfolio of asset groups recognised at the date of purchase and at goodwill impairment testing in previous year
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)	Fixed assets, intangible assets and intact goodwill associated with operation	RMB432.9873 million	The recoverable amount of the asset group is estimated based on the higher of its fair value less costs of disposal and the present value of the estimated future cash flows of the asset	Yes



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 13. Goodwill (Continued)

3. The impairment testing for goodwill, key parameters and method of recognizing impairment loss of goodwill

The key assumptions in applying the discounted future cash flow method by the Company:

Name of investee or item which generated goodwill	31 December 2022			31 December 2021		
	Growth rate (%)	Gross profit margin (%)	Discount rate (%)	Growth rate (%)	Gross profit margin (%)	Discount rate (%)
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)	1.00	13.43	12.92	1.00	14.80	13.75

The weighted average growth rate used by the management does not exceed the long-term average growth rate of products within the industry in which the Company operates. The management determines the budgeted gross margin based on historical experience and forecasts of market developments and uses a pre-tax rate that reflects the specific risks of the relevant asset group and portfolio of asset groups as the discount rate. The above assumptions are used to analyse the recoverable amount of the portfolio of asset groups.

### Remark 14. Long-term Deferred Expenditures

Item	Opening balance	Increase during the current period	Amortisation during the current period	Decrease during the current period	Closing balance
Repair cost	956,681.16		629,864.91		326,816.25
Other	400,074.04		218,222.20		181,851.84
Total	1,356,755.20		848,087.11		508,668.09



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 15. Deferred Income Tax Assets and Deferred Income Tax Liabilities

#### 1. Deferred income tax assets before offsetting

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Impairment provision for assets	132,541,501.71	32,580,471.84	149,988,647.05	36,684,593.81
Deductible loss	54,165.31	8,124.80	2,816,917.02	704,229.26
Asset-related government grants	31,417,906.97	7,854,476.74	35,833,170.61	8,958,292.65
Unrealised profit of internal transactions	21,712,302.16	5,428,075.54	23,348,900.93	4,068,104.19
Salaries payable	29,559,928.24	7,389,982.06	28,834,324.48	7,208,581.12
<b>Total</b>	<b>215,285,804.39</b>	<b>53,261,130.98</b>	240,821,960.09	57,623,801.03

#### 2. Deferred income tax liabilities before offsetting

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Increase in valuation for business combination under common control	103,183,596.08	25,795,899.02	127,984,341.04	31,996,085.26
Increase in valuation for business combination not under common control	61,869,375.56	15,467,343.89	68,680,476.32	17,170,119.08
<b>Total</b>	<b>165,052,971.64</b>	<b>41,263,242.91</b>	196,664,817.36	49,166,204.34



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 15. Deferred Income Tax Assets and Deferred Income Tax Liabilities (Continued)

3. Breakdown of deductible temporary difference on unrecognised deferred income tax assets

Item	Closing balance	Opening balance
Provision for impairment of assets	<b>1,727,469.57</b>	
Deductible loss	<b>37,064,496.36</b>	603,002.76
Total	<b>38,791,965.93</b>	603,002.76

4. Deductible losses on unrecognised deferred income tax assets that will expire in the following years

Year	Closing balance	Opening balance	Remark
2023			
2024	<b>279,180.89</b>		
2025	<b>1,559,615.66</b>	528,921.72	
2026		74,081.04	
2027	<b>35,225,699.81</b>		
Total	<b>37,064,496.36</b>	603,002.76	





# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 16. Short-term Borrowings

#### 1. Category of Short-term Borrowings

Item	Closing balance	Opening balance
Credit Borrowings	<b>234,000,000.00</b>	
Undue interest payables		
Total	<b>234,000,000.00</b>	

#### 2. Overdue Short-term borrowings

There were no overdue short-term borrowings at the end of the period.

### Remark 17. Trade Payables

Item	Closing balance	Opening balance
Payable for purchase of material	<b>172,484,024.12</b>	199,774,458.51
Equipment rental fee payable	<b>18,380,491.25</b>	29,661,557.23
Others	<b>8,808,483.69</b>	2,742,473.65
Total	<b>199,672,999.06</b>	232,178,489.39

### Ageing analysis

Age of accounts	Balance as at the end of the period
Within 1 year	<b>123,710,953.72</b>
1-2 years	<b>36,955,161.12</b>
2-3 years	<b>2,970,168.17</b>
More than 3 years	<b>36,036,716.05</b>
Total	<b>199,672,999.06</b>



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 17. Trade Payables (Continued)

Material trade payables aged over one year

Name	Closing balance	Reasons for outstanding or not carried forward
Hebei Gongda Koya Energy Technology Company Limited* (河北工大科雅能源科技股份有限公司)	2,924,197.87	No settlement was made yet
Heilongjiang Heida Smart Technology Company Limited* (黑龍江黑大智能科技有限公司)	1,581,266.15	No settlement was made yet
Jilin Province Hengtong Insulation Material Company Limited* (吉林省恒通保溫材料有限公司)	3,543,243.47	No settlement was made yet
Jilin Province Jijin Pipe Company Limited* (吉林省吉錦管業有限公司)	2,228,176.62	No settlement was made yet
Jilin Province Jinlong Pipe Company Limited* (吉林省金龍管業有限公司)	4,900,000.00	No settlement was made yet
Jilin Province Liwang Construction Engineering Company Limited* (吉林省利旺建築工程有限公司)	3,051,159.00	No settlement was made yet
Jilin Province Mingyang Commerce Company Limited* (吉林省明楊商貿有限公司)	3,633,493.19	No settlement was made yet
Jilin Province New Type Pipe Company Limited* (吉林省新型管業有限責任公司)	15,636,789.54	No settlement was made yet
Jilin Province Intelligent Equipment Company Limited* (吉林省智能裝備有限責任公司)	1,637,227.08	No settlement was made yet
Jilin Yatai Construction Engineering Company Limited* (吉林亞泰建築工程有限公司)	1,571,924.37	No settlement was made yet
Jilin Province Zhiyan Construction Materials Company Limited* (吉林志彥建築材料有限公司)	1,300,000.00	No settlement was made yet
Changchun City Jinli Construction Project Company Limited* (長春市金力建築工程有限公司)	1,918,440.00	No settlement was made yet
Changchun City Lihuawei Economic and Trade Company Limited* (長春市利華維經貿有限公司)	8,660,109.37	No settlement was made yet
Changchun City Xin Yao Sen Engineering Mechanical Equipment Rental Company Limited* (長春市鑫堯森工程機械設備租賃有限公司)	1,217,000.00	No settlement was made yet
Changchun Yude Pipe Company Limited* (長春禹德管業有限責任公司)	1,693,349.27	No settlement was made yet
<b>Total</b>	<b>55,496,375.93</b>	



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 18. Advances

Particulars of advances

Item	Closing balance	Opening balance
Within 1 year (including the first year)		100,000.00
Over 1 year		
Total		100,000.00

### Remark 19. Contract Liabilities

1. Particulars of contract liabilities

Item	Closing balance	Opening balance
Heat supply	1,404,557,121.42	1,395,008,837.97
Construction, maintenance and design services and other	6,365,794.90	16,327,992.57
Total	1,410,922,916.32	1,411,336,830.54

2. Significant change in the carrying amount of contract liabilities during the current period

Item	Change in 2022	Reason for change
Heat supply business	43,637,690.91	New business contracts
Pipeline connection business	-9,962,197.67	Fulfillment of performance obligations
Engineering business	-34,089,407.46	Fulfillment of performance obligations
Total	-413,914.22	



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 20. Salaries Payable

#### 1. List of salaries payable

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Short-term salaries	116,033,845.98	248,652,426.88	262,184,144.48	<b>102,502,128.38</b>
Post-employment benefits — defined contribution plan		26,035,217.97	24,843,678.17	<b>1,191,539.80</b>
Termination benefits				
Other benefits mature within 1 year				
<b>Total</b>	<b>116,033,845.98</b>	<b>274,687,644.85</b>	<b>287,027,822.65</b>	<b>103,693,668.18</b>

#### 2. List of short-term salaries

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Wages, bonuses, allowances and subsidies	115,011,056.55	205,204,789.40	218,550,683.60	<b>101,665,162.35</b>
Employee welfare	4,140.00	8,139,749.64	8,143,889.64	
Social insurance		12,812,882.71	12,812,882.71	
Of which: Medical insurance and maternity insurance		12,012,673.96	12,012,673.96	
Work injury insurance		800,208.75	800,208.75	
Others				
Housing provident fund	2,307.00	19,033,476.00	19,033,476.00	<b>2,307.00</b>
Union fund and staff education fund	1,016,342.43	3,142,639.15	3,324,322.55	<b>834,659.03</b>
Other short-term salaries		318,889.98	318,889.98	
<b>Total</b>	<b>116,033,845.98</b>	<b>248,652,426.88</b>	<b>262,184,144.48</b>	<b>102,502,128.38</b>



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 20. Salaries Payable (Continued)

#### 3. Particulars of defined contribution plan

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Basic pension contribution		24,943,417.96	23,801,823.35	<b>1,141,594.61</b>
Unemployment insurance		1,091,800.01	1,041,854.82	<b>49,945.19</b>
Total		26,035,217.97	24,843,678.17	<b>1,191,539.80</b>

The full-time employees of the Group in the PRC are covered by the state-managed basic endowment insurance and unemployment insurance under which the employees are entitled to a monthly pension calculated based on certain formulas. The relevant government agencies are responsible for the payment of pensions to the retired employees. The Group contributes to these retirement schemes on a monthly basis. Under these schemes, the Group has no obligation for post-retirement benefits in excess of the abovementioned contributions made.

The Group's contributions to the state-managed basic endowment insurance and unemployment insurance for its employees vest fully with the employees immediately upon its contributions. The Group does not forfeit any contributions on behalf of its employees who leave the scheme prior to such full vesting. Accordingly, there is no forfeited contribution available for the Group to reduce the existing level of contributions.

### Remark 21. Tax Payable

Tax item	Closing balance	Opening balance
VAT	<b>14,894,062.67</b>	15,592,552.74
Enterprise income tax	<b>19,279,905.39</b>	24,844,550.01
Individual income tax	<b>196,223.76</b>	301,409.00
City maintenance and construction tax	<b>1,343,289.36</b>	1,291,374.48
Education surcharge	<b>956,403.46</b>	919,321.39
Others	<b>669,703.63</b>	462,923.13
Total	<b>37,339,588.27</b>	43,412,130.75



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 22. Other Payables

Item	Closing balance	Opening balance
Interest payable		
Dividend payable		0.01
Other payables	<b>21,365,983.70</b>	17,429,924.14
Total	<b>21,365,983.70</b>	17,429,924.15

(I) Dividend payable

Item	Closing balance	Opening balance	Reasons for non-payment over one year
Dividend on ordinary shares		0.01	
Total		0.01	



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 22. Other Payables (Continued)

#### (II) Other payables

##### 1. Other payables based on nature of the payments

Nature of the amount	Closing balance	Opening balance
Quality guarantee deposit	<b>15,996.00</b>	15,996.00
Deposit and guarantee	<b>1,030,614.00</b>	506,610.00
Current account payment	<b>12,599,379.77</b>	6,199,515.09
Insurance	<b>788,144.98</b>	125,672.81
Utilities	<b>6,569,104.71</b>	10,438,919.20
Others	<b>362,744.24</b>	143,211.04
Total	<b>21,365,983.70</b>	17,429,924.14

##### 2. Material trade payables aged over one year

Name	Closing balance	Reasons for outstanding or not carried forward
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	<b>6,719,003.57</b>	No settlement was made yet
Total	<b>6,719,003.57</b>	



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 23. Non-current Liabilities Due within One Year

<b>Item</b>	<b>Closing balance</b>	<b>Opening balance</b>
Lease liabilities due within one year	<b>476,190.47</b>	975,251.76
Total	<b>476,190.47</b>	975,251.76

### Remark 24. Other Current Liabilities

<b>Item</b>	<b>Closing balance</b>	<b>Opening balance</b>
Sales tax to be transferred	<b>17,836.40</b>	1,760.92
Total	<b>17,836.40</b>	1,760.92





# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 25. Lease Liabilities

Remaining lease term	Closing balance	Opening balance
Within 1 year	<b>476,190.47</b>	1,009,523.82
1 to 2 years		476,190.47
2 to 3 years		
3 to 4 years		
4 to 5 years		
Over 5 years		
Subtotal of total lease payments	<b>476,190.47</b>	1,485,714.29
Less: Unrecognized finance charge		34,272.06
Subtotal of present value of lease payments	<b>476,190.47</b>	1,451,442.23
Less: Lease liabilities due within one year	<b>476,190.47</b>	975,251.76
Total		476,190.47

### Remark 26. Long-term Payables

Item	Closing balance	Opening balance
Long-term payables		
Special payables	<b>2,775,074.00</b>	2,775,074.00
Total	<b>2,775,074.00</b>	2,775,074.00



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 26. Long-term Payables (Continued)

Special payables

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance	Reason of occurrence
Heating construction	406,864.00			<b>406,864.00</b>	
Pipeline network reconstruction	2,368,210.00			<b>2,368,210.00</b>	
Total	2,775,074.00			<b>2,775,074.00</b>	

### Remark 27. Long-term Salaries Payable

Item	Closing balance	Opening balance
Post-employment benefits — net liability of defined contribution plan	<b>29,229,928.24</b>	28,074,324.48
Long-term termination benefits	<b>330,000.00</b>	760,000.00
Less: Undiscounted long-term salaries payable due within one year		
Total	<b>29,559,928.24</b>	28,834,324.48



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 27. Long-term Salaries Payable (Continued)

#### 1. Defined contribution plan

##### (1) Movements in present value of obligation of defined contribution plan

Item	Incurred during the current period	Incurred during the previous period
I. Opening balance	<b>28,834,324.48</b>	27,710,000.00
II. Defined contribution costs included in profit or loss for the period	<b>1,507,142.42</b>	816,451.61
1. Service costs for the period	<b>774,912.50</b>	703,871.61
2. Prior service costs		
3. Settlement gain (loss is presented by "-" sign)		
4. Net interest	<b>910,000.00</b>	990,000.00
5. Actuarial loss recognized immediately	<b>-177,770.08</b>	-877,420.00
III. Defined contribution costs included in other comprehensive income	<b>160,000.00</b>	1,440,000.00
1. Actuarial gain (loss is presented by "-" sign)	<b>160,000.00</b>	1,440,000.00
2. Adjustment based on experience		
IV. Other movements	<b>-941,538.66</b>	-1,132,127.13
1. Consideration paid upon settlement		
2. Benefits paid	<b>-941,538.66</b>	-1,132,127.13
V. Closing balance	<b>29,559,928.24</b>	28,834,324.48



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 27. Long-term Salaries Payable (Continued)

#### 1. Defined contribution plan (Continued)

##### (2) Net liabilities (net assets) of the defined contribution plan

Item	Incurred during the current period	Incurred during the previous period
I. Opening balance	28,834,324.48	27,710,000.00
II. Defined contribution costs included in profit or loss for the period	1,507,142.42	816,451.61
III. Defined contribution costs included in other comprehensive income	160,000.00	1,440,000.00
IV. Other movements	-941,538.66	-1,132,127.13
V. Closing balance	29,559,928.24	28,834,324.48

##### (3) Material actuarial assumptions on the present value of the defined benefits obligation and results of the sensitivity analysis

Material actuarial assumptions	At the end of the current period	At the end of the previous period	Change in assumption (%)	Effect on the present value of the defined contribution plan at the end of the period	
				Increase	Decrease
Discount rate (%) — Post-employment benefits	3.00	3.25	-0.25	For every 0.25 percentage point increase in the discount rate, the present value of the defined contribution plan obligation increases by RMB1.31 million	For every 0.25 percentage point decrease in the discount rate, the present value of the defined contribution plan obligation decreases by RMB1.4 million
Discount rate (%) — Resignation benefits	2.50	2.50	—		
Mortality rate (%)	CL5/CL6 (2010-2013)	CL5/CL6 (2010-2013)			
Annual turnover rate (%)	1.00	1.00			
Expected growth rate of corporate contributions to social insurance and housing fund (%)	4.00	8.00			
Expected growth rate of medical benefits (%)	6.00	6.00			

The Group has post-employment benefits — defined benefit plan, and no assets have been set aside for each of the Group's benefit plans. The defined benefit is determined based on an actuarial valuation performed by Willis Towers Watson Consulting Company Limited, an independent actuary. The undersigned actuary of the actuarial valuation report is Wu Haichuan, a fellow of the Society of Actuaries and a fellow of the China Association of Actuaries, who meets the qualification requirements for the issuance of actuarial opinions in respect of post-employment benefits and termination benefits.



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 28. Estimated Liabilities

Item	Closing balance	Opening balance	Reason of occurrence
Unsettled litigation		350,000.00	Paid during the period
Total		350,000.00	

### Remark 29. Deferred Income

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance	Reason of occurrence
Asset-related government grants	48,604,047.04		4,415,263.64	<b>44,188,783.40</b>	
Income-related government grants					
Total	48,604,047.04		4,415,263.64	<b>44,188,783.40</b>	



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 29. Deferred Income (Continued)

Deferred income in relation to government grants

Liability item	Opening balance	Grants increased during the current period	Included in non-operating income during the current period	Included in other income during the current period	Elimination of cost charges during the current period	Add: other changes	Closing balance	Asset-related/ Income-related
Electric heating subsidy	624,000.00			104,000.00			520,000.00	Asset-related
Small boiler subsidy	38,393,415.96			3,351,425.52			35,041,990.44	Asset-related
Southeastern Power Plant Grant	1,078,125.00			93,750.00			984,375.00	Asset-related
Small boiler grid-connected construction	8,508,506.08			866,088.12			7,642,417.96	Asset-related
<b>Total</b>	<b>48,604,047.04</b>			<b>4,415,263.64</b>			<b>44,188,783.40</b>	

### Remark 30. Others Non-current Liabilities

Item	Closing balance	Opening balance
Sales tax to be transferred	1,797,307.74	2,484,653.05
<b>Total</b>	<b>1,797,307.74</b>	<b>2,484,653.05</b>



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 31. Share Capital

Item	Opening balance	Increase(+)/Decrease(-) during the current period					Closing balance
		Issuance of new shares	Bonus share	Transfer from reserve	Others	Sub-total	
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展 集團有限公司)	325,500,000						325,500,000
Changchun State-owned Capital Investment Operation (Group) Co., Ltd.* (長春市國投資本 投資運營(集團)有限公司)	24,500,000						24,500,000
Hong Kong H Shareholders	116,700,000						116,700,000
Total	466,700,000						466,700,000



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 32. Other Comprehensive Income

Item	Incurred during the current period										Closing balance	
	Opening balance	Amount before income tax during the current period	Less: Transfer to profit or loss during the period that previously included in other comprehensive income	Less: Transfer measured at amortized cost during the period that previously included in other comprehensive income	Less: Transfer to relevant assets or liabilities from hedging reserves	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholder after tax	Less: Changes arising from the remeasurement of defined benefit plans carried forward	Less: Transfer to retained earnings during the period that previously included in other comprehensive income		
I. Other comprehensive income that will not be reclassified to profit or loss	-1,629,142.82	-210,000.00				-52,500.00	-157,500.00					-1,786,642.82
1. Changes from re-measurement of defined benefit plans	-1,629,142.82	-210,000.00				-52,500.00	-157,500.00					-1,786,642.82
2. Other comprehensive income that may not be transferred to profit or loss under the equity method												
3. Changes in fair value of other equity instrument investments												
4. Changes in fair value of the enterprise's own credit risk												
II. Other comprehensive income that will be reclassified to profit or loss												
Total other comprehensive income	-1,629,142.82	-210,000.00				-52,500.00	-157,500.00					-1,786,642.82





# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 33. Special Reserve

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Safety production fee	22,600,130.11	3,045,783.57	1,990.50	<b>25,643,923.18</b>
Repair and maintenance cost				
Total	22,600,130.11	3,045,783.57	1,990.50	<b>25,643,923.18</b>

### Remark 34. Surplus Reserve

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Statutory surplus reserve	19,895,513.09	9,936,350.47		<b>29,831,863.56</b>
Discretionary surplus reserve				
Total	19,895,513.09	9,936,350.47		<b>29,831,863.56</b>



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 35. Undistributed Profits

Item	Current period	Previous period
Undistributed profits at the end of the previous period	<b>340,451,167.21</b>	278,833,318.17
Retrospective adjustment		
Undistributed profits at the beginning of the current period	<b>340,451,167.21</b>	278,833,318.17
Add: Net profit attributable to owners' equity of the parent company during the current period	<b>114,667,977.46</b>	122,757,996.65
Less: Withdrawal of statutory surplus reserve	<b>9,936,350.47</b>	13,070,047.61
Withdrawal of discretionary surplus reserve		
Withdrawal of general risk reserve		
Dividend payable on ordinary shares	<b>53,670,500.00</b>	48,070,100.00
Ordinary shares dividends transferred to share capital		
Add: Surplus reserves for making up losses		
Changes of defined benefits plan transferred to retained earnings		
Other comprehensive income transferred to retained earnings		
Other internal transfer of owners' equity		
Undistributed profits at the end of the period	<b>391,512,294.20</b>	340,451,167.21

### Remark 36. Operating Income and Operating Costs

#### 1. Operating Income and Operating Costs

Item	Incurred during the current period		Incurred during the previous period	
	Income	Cost	Income	Cost
Principal operating business	<b>1,639,354,319.99</b>	<b>1,413,599,530.54</b>	1,640,713,080.56	1,320,611,629.03
Other businesses	<b>15,350,832.69</b>	<b>10,457,229.02</b>	8,885,190.63	3,670,062.77



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 36. Operating Income and Operating Costs (Continued)

#### 2. Revenue From Contracts

Contract category	Incurred during the current period		Total
	Heat supply business	Construction, maintenance and design services	
I. By commodity	1,538,419,575.87	116,285,576.81	1,654,705,152.68
Heat supply	1,447,805,438.96		1,447,805,438.96
Pipeline connection fee	71,260,765.71		71,260,765.71
Heat transmission	19,353,371.20		19,353,371.20
Engineering construction		43,819,417.70	43,819,417.70
Engineering maintenance		26,481,264.00	26,481,264.00
Design services		7,824,335.49	7,824,335.49
Other		38,160,559.62	38,160,559.62
II. By business area	1,538,419,575.87	116,285,576.81	1,654,705,152.68
Northeast region	1,538,419,575.87	116,285,576.81	1,654,705,152.68
III. By market or customer	1,538,419,575.87	116,285,576.81	1,654,705,152.68
Corporate	559,964,064.65	116,285,576.81	676,249,641.46
Residential	978,455,511.22		978,455,511.22
IV. By contract	1,538,419,575.87	116,285,576.81	1,654,705,152.68
Sales	1,519,066,204.67	30,806,550.66	1,549,872,755.33
Service	19,353,371.20	85,479,026.15	104,832,397.35
V. By the time of commodity transfer	1,538,419,575.87	116,285,576.81	1,654,705,152.68
At a point in time		40,247,959.06	40,247,959.06
Over a period of time	1,538,419,575.87	76,037,617.75	1,614,457,193.62
VI. By contract term	1,538,419,575.87	116,285,576.81	1,654,705,152.68
Within 1 year	1,467,158,810.16	82,728,573.02	1,549,887,383.18
Over 1 year	71,260,765.71	33,557,003.79	104,817,769.50
VII. By sales channel	1,538,419,575.87	116,285,576.81	1,654,705,152.68
Centralized heating	1,538,419,575.87		1,538,419,575.87
Other		116,285,576.81	116,285,576.81
<b>Total</b>	<b>1,538,419,575.87</b>	<b>116,285,576.81</b>	<b>1,654,705,152.68</b>



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 36. Operating Income and Operating Costs (Continued)

#### 2. Revenue From Contracts (Continued)

Contract category	Incurred during the previous period		Total
	Heat supply business	Construction, maintenance and design services and others	
I. By commodity	1,497,035,692.61	152,562,578.58	1,649,598,271.19
Heat supply	1,405,717,625.98		1,405,717,625.98
Pipeline connection fee	70,116,544.52		70,116,544.52
Heat transmission	21,201,522.11		21,201,522.11
Engineering construction		57,776,212.14	57,776,212.14
Engineering maintenance		43,977,767.60	43,977,767.60
Design services		8,730,608.15	8,730,608.15
Other		42,077,990.69	42,077,990.69
II. By business area	1,497,035,692.61	152,562,578.58	1,649,598,271.19
Northeast region	1,497,035,692.61	152,562,578.58	1,649,598,271.19
III. By market or customer	1,497,035,692.61	152,562,578.58	1,649,598,271.19
Corporate	551,182,024.88	152,562,578.58	703,744,603.46
Residential	945,853,667.73		945,853,667.73
IV. By contract	1,497,035,692.61	152,562,578.58	1,649,598,271.19
Sales	1,475,834,170.50	39,429,211.32	1,515,263,381.82
Service	21,201,522.11	113,133,367.26	134,334,889.37
V. By the time of commodity transfer	1,497,035,692.61	152,562,578.58	1,649,598,271.19
At a point in time		40,273,713.63	40,273,713.63
Over a period of time	1,497,035,692.61	112,288,864.95	1,609,324,557.56
VI. By contract term	1,497,035,692.61	152,562,578.58	1,649,598,271.19
Within 1 year	1,429,113,901.15	108,720,435.23	1,537,834,336.38
Over 1 year	67,921,791.46	43,842,143.35	111,763,934.81
VII. By sales channel	1,497,035,692.61	152,562,578.58	1,649,598,271.19
Centralized heating	1,497,035,692.61		1,497,035,692.61
Other		152,562,578.58	152,562,578.58
<b>Total</b>	<b>1,497,035,692.61</b>	<b>152,562,578.58</b>	<b>1,649,598,271.19</b>



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 37. Taxes and Surcharges

Item	Incurred during the current period	Incurred during the previous period
City maintenance and construction tax	1,247,440.90	1,862,999.56
Education surcharge	534,420.15	804,660.88
Local education surcharge	356,280.09	536,440.56
Property tax	204,483.91	223,191.79
Land use tax	181,656.25	81,213.04
Vehicle and vessel tax	32,210.40	28,482.72
Stamp duty	774,263.87	941,179.21
Environmental protection tax	80,174.03	147,386.58
Hydraulic Construction Fund	1,049,589.84	
Total	4,460,519.44	4,625,554.34

### Remark 38. Selling Expenses

Item	Incurred during the current period	Incurred during the previous period
Business promotion expenses	518,786.90	758,075.44
Service charges	1,129,856.50	713,000.00
Transportation and loading expenses	86,956.88	269,051.56
Total	1,735,600.28	1,740,127.00



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 39. Administrative expenses

Item	Incurred during the current period	Incurred during the previous period
Entertainment expenses	181,743.00	273,546.21
Salaries payable	62,725,694.18	70,692,994.86
Maintenance fee	757,760.37	4,592,910.56
Tax payable	100,413.09	107,274.14
Depreciation of fixed assets	5,146,952.31	4,367,907.69
Amortisation of intangible assets	1,175,109.19	872,218.00
Technological transfer of and services	1,185,937.84	1,037,919.22
Insurance	7,082,157.04	7,176,552.01
Rental fee	1,458,566.25	1,990,149.20
Material consumption	61,156.99	25,512.33
Office expenses	7,955,276.10	8,384,237.79
Travel expenses	462,360.75	552,465.82
Agency fees	3,914,953.08	3,093,621.55
Consulting fee	840,769.54	866,406.41
Litigation fees		68,345.73
Property management fee	86,707.36	104,019.39
Party building expenses	354,371.59	693,675.23
Disabled security fund	1,913,434.53	1,488,776.84
Utility	209,222.00	165,388.37
Labour protection expenses	634,873.74	505,891.01
Flood prevention fund	231,373.41	1,383,839.46
Security maintenance fees	20,106.81	121,241.37
Vehicle running costs	867,398.90	1,453,485.72
Low-value consumables	227,867.57	269,214.26
Heating expenses	539,020.26	451,174.00
Total	1,097,660.80	4,228,439.09
Total	99,230,886.70	114,967,206.26



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 40. Research and Development Expenses

Item	Incurred during the current period	Incurred during the previous period
Salaries	1,682,952.21	1,721,384.89
Research and development materials costs	202,818.37	68,688.44
Depreciation expenses	1,932.37	2,096.04
Amortisation of intangible assets		557.52
Commissioning external development costs	5,970.00	250,000.00
Other	81,067.94	21,646.29
Total	1,974,740.89	2,064,373.18

### Remark 41. Financial Costs

Item	Incurred during the current period	Incurred during the previous period
Interest expenses	9,941,875.67	10,453,276.18
Less: interest income	21,389,734.42	12,923,039.47
Exchange gain and loss	596,753.08	120,275.87
Bank handling fee	66,155.18	1,155,540.95
Other	-2,700,000.00	
Total	-13,484,950.49	-1,193,946.47

### Remark 42. Other Income

#### 1. Breakdown of other income

Sources of other income	Incurred during the current period	Incurred during the previous period
Government grants	11,904,941.49	6,994,698.41
Other	28,339.88	105,373.51
Total	11,933,281.37	7,100,071.92



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 42. Other Income (Continued)

#### 2. Government grants included in other income

Item	Incurred during the current period	Incurred during the previous period	Asset-related/ Income-related
Small boiler phase-out subsidy	<b>667,345.34</b>	667,345.34	Asset-related
Job stabilisation subsidy	<b>1,040,864.90</b>	262,263.93	Income-related
Pandemic-related subsidy	<b>524,304.99</b>		Income-related
Boiler renovation	<b>866,088.12</b>	866,088.12	Asset-related
Grants for hi-tech enterprises in Nanguan District		400,000.00	Income-related
Social insurance (epidemic exemption)	<b>693,668.35</b>	47,170.84	Income-related
Master boiler room in Nanguan District	<b>468,468.62</b>	468,468.62	Asset-related
Boiler room of Yongsheng Property in Luyuan District	<b>371,661.00</b>	371,661.00	Asset-related
Biological boiler room in Luyuan District	<b>315,388.92</b>	315,388.92	Asset-related
XXX troop's boiler in Luyuan District	<b>328,887.61</b>	328,887.61	Asset-related
Ruixing Property's boiler in Erdao District	<b>422,498.79</b>	422,498.79	Asset-related
Tian Family compound	<b>265,826.85</b>	265,826.85	Asset-related
Southeastern Power Plant Special Funding Grant	<b>93,750.00</b>	93,750.00	Asset-related
Special grants for technology innovation		110,000.00	Income-related
Boiler room of Changchun University of Chinese Medicine	<b>150,862.46</b>	150,862.46	Asset-related
Boiler room of Yanhong Reli at Qingpu Road	<b>134,656.79</b>	134,656.79	Asset-related
Chaoyang campus of Jilin University	<b>120,490.92</b>	120,490.92	Asset-related
Boiler room of oil transmission community	<b>105,338.22</b>	105,338.22	Asset-related
Electric heating subsidy	<b>104,000.00</b>	104,000.00	Asset-related
Award for being determined as a National High and New Tech Enterprise		80,000.00	Income-related
Heating incentive funds	<b>250,000.00</b>		Income-related
Subsidy for occupational skills competition	<b>130,000.00</b>	1,130,000.00	Income-related
Subsidy for one-time after-work training	<b>737,000.00</b>		Income-related
Funding for IPO reward	<b>3,500,000.00</b>		Income-related
Other	<b>613,839.61</b>	550,000.00	Asset/income-related
<b>Total</b>	<b>11,904,941.49</b>	6,994,698.41	





# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 43. Investment Income

1. Breakdown of investment income

<b>Item</b>	<b>Incurred during the current period</b>	Incurred during the previous period
Investment income from held-for-trading financial assets		296,104.45
Total		296,104.45

### Remark 44. Gain on Changes in Fair Value

<b>Source of gain arising from changes in fair value</b>	<b>Incurred during the current period</b>	Incurred during the previous period
Held-for-trading financial assets		227,083.33
Total		227,083.33



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 45. Credit Impairment Loss

Item	Incurred during the current period	Incurred during the previous period
Bad debt loss	<b>32,935,049.77</b>	-30,066,857.34
Total	<b>32,935,049.77</b>	-30,066,857.34

### Remark 46. Impairment Loss on Assets

Item	Incurred during the current period	Incurred during the previous period
Loss on decline in value of inventories		1,584,931.81
Impairment loss on contract assets	<b>-17,095,441.97</b>	-23,486,907.97
Impairment loss on fixed assets		-159,506.13
Impairment loss on construction materials		-532,988.53
Total	<b>-17,095,441.97</b>	-22,594,470.82

### Remark 47. Gain on Disposal of Assets

Item	Incurred during the current period	Incurred during the previous period
Gain or loss on disposal of fixed assets	<b>13,021.19</b>	5,951,536.93
Total	<b>13,021.19</b>	5,951,536.93



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 48. Non-operating Income

Item	Incurred during the current period	Incurred during the previous period	Amount included in non-recurring profit or loss of the current period
Gain on destruction and scrapping of non-current assets		29,483.92	
Government grants not related to ordinary activities		4,000,000.00	
Income from damages for breach of contract	<b>63,446.53</b>	18,306.54	63,446.53
Overdue payment	<b>30,671.90</b>	202,988.20	30,671.90
Other	<b>1,341,608.65</b>	349,468.03	1,341,608.65
<b>Total</b>	<b>1,435,727.08</b>	4,600,246.69	1,435,727.08

1. Government grants included in profit or loss of the current period

Item	Incurred during the current period	Incurred during the previous period	Asset-related /Income-related
2020 special government funding		4,000,000.00	Income-related
<b>Total</b>		4,000,000.00	



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 49. Non-operating Expenses

Item	Incurred during the current period	Incurred during the previous period	Amount included in non-recurring profit or loss of the current period
Refund of difference in subsidy		338,758.00	
Damages, liquidated damages and penalty payments	<b>269,834.84</b>	709,930.01	269,834.84
Unrecoverable payments		196,439.14	
Other	<b>38,415.48</b>	298,165.52	38,415.48
<b>Total</b>	<b>308,250.32</b>	1,543,292.67	308,250.32

### Remark 50. Income Tax Expenses

#### 1. Table of income tax expenses

Item	Incurred during the current period	Incurred during the previous period
Income tax expenses for the current period	<b>54,464,797.34</b>	65,973,025.70
Deferred income tax expenses	<b>-3,487,791.38</b>	-21,647,334.78
<b>Total</b>	<b>50,977,005.96</b>	44,325,690.92



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 50. Income Tax Expenses (Continued)

2. Reconciliation between accounting profit and income tax expenses

Item	Incurred during the current period
Total profit	165,644,983.42
Income tax expenses calculated at statutory/applicable tax rates	41,411,245.86
Effect of different tax rates applied by subsidiaries	-801,046.87
Effect of adjustments to income tax on prior periods	936,321.88
Effect of non-taxable income	
Effect of non-deductible costs, expenses and losses	205,377.73
Effect of deductible loss on utilisation of deferred income tax assets not recognised in the previous period	-472,884.14
Effect of deductible temporary difference or deductible loss on deferred income tax assets not recognised in the current period	9,697,991.50
Other	
Income tax expenses	50,977,005.96

### Remark 51. Notes to Statement of Cash Flows

1. Cash received relating to other operating activities

Item	Incurred during the current period	Incurred during the previous period
Current account payment	136,692,533.98	113,096,930.31
Interest income	21,389,734.42	12,923,039.47
Government grants	6,147,926.79	6,532,263.93
Petty money	32,866.65	1,057,061.38
Insurance premium receivables	281,272.54	1,256,457.37
Tender deposit	856,375.50	235,740.00
Pledge	530,000.00	352,300.00
Rental fee		180,000.00
Other	814,357.58	3,957,374.67
Total	166,745,067.46	139,591,167.13



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 51. Notes to Statement of Cash Flows (Continued)

#### 2. Cash paid relating to other operating activities

<b>Item</b>	<b>Incurred during the current period</b>	<b>Incurred during the previous period</b>
Office expenses	<b>7,103,419.72</b>	23,391,330.03
Travel expenses	<b>469,161.70</b>	552,465.82
Labour costs	<b>437,820.68</b>	1,181,832.80
Handling fee	<b>127,767.18</b>	417,207.62
Utility	<b>256,881.05</b>	3,601,419.12
Current account payment	<b>142,498,455.61</b>	145,494,446.61
Repair expenses	<b>77,212.40</b>	2,878,931.21
Promotion expenses	<b>589,528.34</b>	330,720.00
Pledge and guarantee	<b>1,034,763.00</b>	854,534.67
Hospitality expenses	<b>180,123.10</b>	273,546.21
Transportation costs	<b>64,003.60</b>	1,509,944.21
Consultation service fees	<b>11,081,456.34</b>	14,080,749.77
Rental fees	<b>2,873,957.51</b>	1,763,084.98
Other	<b>3,013,948.53</b>	3,259,633.99
<b>Total</b>	<b>169,808,498.76</b>	199,589,847.04

#### 3. Cash received relating to other investing activities

<b>Item</b>	<b>Incurred during the current period</b>	<b>Incurred during the previous period</b>
Principal and interest on lease liabilities	<b>766,666.67</b>	1,046,666.67
<b>Total</b>	<b>766,666.67</b>	1,046,666.67



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 52. Supplementary Information for Statement of Cash Flows

#### 1. Supplementary Information for Statement of Cash Flows

Item	Current period	Previous period
1. Adjustment of net profit to cash flow of operating activities		
Net profit	114,667,977.46	122,757,996.65
Add: Credit impairment loss	-32,935,049.77	30,066,857.34
Impairment provision for assets	17,095,441.97	22,594,470.82
Depreciation of fixed assets, fuel and gas assets and biological assets	135,836,420.82	137,018,612.25
Depreciation of right-of-use assets	941,987.68	1,215,044.12
Amortisation of intangible assets	1,182,763.07	697,084.38
Amortisation of long-term deferred expenditures	848,087.11	4,715,632.09
Loss on disposal of fixed assets, intangible assets and other long-term assets (presented by a "-" sign for gain)	-13,021.19	-5,951,536.93
Loss on scrapped fixed assets (presented by a "-" sign for gain)		-29,483.92
Loss on change in fair value (presented by a "-" sign for gain)		-227,083.33
Financial costs (presented by a "-" sign for gain)	9,941,875.67	10,453,276.18
Investment loss (presented by a "-" sign for gain)		-296,104.45
Decrease in deferred income tax assets (presented by a "-" sign for increase)	4,415,170.05	-13,210,010.79
Increase in deferred income tax liabilities (presented by a "-" sign for decrease)	-7,902,961.43	-8,437,323.99
Decrease in inventories (presented by a "-" sign for increase)	22,896,226.76	-16,958,785.82
Decrease of operating receivables (presented by a "-" sign for increase)	53,640,090.77	20,890,000.71
Increase of operating payables (presented by a "-" sign for decrease)	-74,463,248.99	-181,296,755.94
Other		
Net cash flows from operating activities	246,151,759.98	124,001,889.37
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		
3. Net movement in cash and cash equivalents		
Cash at the end of the period	1,030,236,102.05	664,306,698.15
Less: cash at the beginning of period	664,306,698.15	732,404,368.33
Add: cash equivalents at end of the period		
Less: cash equivalents at beginning of the period		
Net increase in cash and cash equivalents	365,929,403.90	-68,097,670.18



# NOTES TO FINANCIAL STATEMENTS

## VI. NOTES TO KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

### Remark 52. Supplementary Information for Statement of Cash Flows (Continued)

2. The composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	<b>1,030,236,102.05</b>	664,306,698.15
Of which: Cash on hand		
Bank deposit available for payment at any time	<b>1,030,236,102.05</b>	664,306,698.15
Other monetary funds available for payment at any time		
II. Cash equivalents		
Of which: Bond investment due in three months		
III. Cash and cash equivalents at the end of the period	<b>1,030,236,102.05</b>	664,306,698.15
Of which: Restricted cash and cash equivalents used by the parent or subsidiaries within the group		

### Remark 53. Assets with restricted ownership or rights-of-use

Item	Amount	Reasons for Restriction
Monetary funds	<b>4,200,000.00</b>	Performance Deposit
Total	<b>4,200,000.00</b>	

### Remark 54. Monetary Items in Foreign Currency

1. Monetary items in foreign currency

Item	Closing balance in foreign currency	Exchange rate	Closing balance in RMB
Monetary funds			633,352.24
Of which: U.S. dollars			
Hong Kong dollars	709,002.84	0.8933	633,352.24





# NOTES TO FINANCIAL STATEMENTS

## VII. CHANGE OF THE SCOPE OF COMBINATION

Changes in the scope of combination for other reasons

Jilin Province Hengda New Energy Technology Development Company Limited\*, a subsidiary of the Company, was de-registered and liquidated on 30 August 2022, resulting in a reduction in the scope of combination.

## VIII. INTERESTS IN OTHER ENTITIES

### (I) Interests in Subsidiaries

#### 1. Composition of the Group

Name of subsidiary	Primary operation place	Place of registration	Type of legal entity	Nature of business	Shareholding percentage (%)		Form of acquisition
					Direct	Indirect	
Jilin Province Changre Maintenance Service Company Limited* (吉林省長熱維修實業有限公司)	Changchun, Jilin	Changchun, Jilin	Limited Liability Company	Maintenance service, installation, repair and maintenance of heating facilities	100		Business combination under common control
Changchun City Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限責任公司)	Changchun, Jilin	Changchun, Jilin	Limited Liability Company	Heat construction works and maintenance works	100		Business combination under common control
Jilin Province Changre Pipelines Transmission Company Limited* (吉林省長熱管網輸送有限公司)	Changchun, Jilin	Changchun, Jilin	Limited Liability Company	Production of electricity and heat and heat supply network transmission services	100		Business combination under common control
Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司)	Changchun, Jilin	Changchun, Jilin	Limited Liability Company	Engineering design	100		Business combination under common control
Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱電氣儀錶有限公司)	Changchun, Jilin	Changchun, Jilin	Limited Liability Company	Apparatus manufacturing and sales	100		Business combination under common control
Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司)	Changchun, Jilin	Changchun, Jilin	Limited Liability Company	Application of biomass energy	100		Establishment with investment
Changchun Yatai Heating Co., Ltd.* (長春熱力亞泰有限責任公司)	Changchun, Jilin	Changchun, Jilin	Limited Liability Company	Production, supply and sale of heat	100		Business combination under common control
Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司)	Changchun, Jilin	Changchun, Jilin	Limited Liability Company	Production, supply and sale of heat	100		Business combination not under common control
Jilin Province Hengxin Electricity Co. Ltd.* (吉林省恒信售電有限公司)	Changchun, Jilin	Changchun, Jilin	Limited Liability Company	Supply of electricity	100		Business combination not under common control
Jilin Province Hengda New Energy Technology Development Company Limited	Changchun, Jilin	Changchun, Jilin	Limited Liability Company	Supply of heat, hot water and electricity	100		Business combination not under common control
Jilin Chuncheng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司)	Changchun, Jilin	Changchun, Jilin	Limited Liability Company	Application of biomass energy	100		Establishment with investment
Jilin Province Northeast Heating Co., Ltd.* (吉林省東北供熱有限公司)	Changchun, Jilin	Changchun, Jilin	Limited Liability Company	Supply of heat services	60		Business combination not under common control



# NOTES TO FINANCIAL STATEMENTS

## IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS

The Company's main financial instruments include monetary funds, equity investments, trade receivables, trade payables, etc. The Company may be exposed to all kinds of financial instruments risks in its operating activities, mainly include credit risks, liquidity risks and market risks. The risks in relation to those financial instruments and the risk management policies adopted by the Company to mitigate these risks are set out below:

The Board is responsible for planning and establishing the risk management structure for the Company, and developing risk management policies and the related guidelines across the Company, and supervising the performance of risk management measures. The Company has developed risk management policies to identify and analyze risks exposed to the Company. These risk management policies have clear regulations over specific risks, covering various aspects of market risk, credit risk and liquidity risk. The Company will evaluate the market environment and changes of the Company's operating activities on a regular basis to decide whether to update the risk management policies and systems. The risk management of the Company is carried out by the Risk Management Committee based on the policies as approved by the Board. Risk Management Committee identifies, evaluates and mitigates related risks by working closely with other business divisions of the Company. Internal Audit Department of the Company will review the risk management control and process regularly, and submit the review results to Audit Committee of the Company. The Company spreads the risks of financial instruments through appropriate diversified investment and business portfolio, and mitigates the risk of focusing on any single industry, specific regions or counterparties by way of formulating the corresponding policies for risk management.

### (I) Credit Risk

Credit risk refers to the risk of financial losses to the Company as a result of the failure of performance of contractual obligations by the counterparties. The management has developed proper credit policies and continuously monitors such credit risk exposures.

The Company has adopted the policy of transacting with creditworthy counterparties only. In addition, the Company evaluates the credit qualification of customers and sets up corresponding credit term based on the financial status of customers, the possibility of obtaining guarantees from third parties, credit records and other factors such as current market conditions. The Company monitors the balances and recovery of bills and trade receivables on a continual basis. As for bad credit customers, the Company will use the written reminders, shorten the credit term or cancel the credit term to ensure that the Company is free from material credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure adequate expected credit loss provision is made for relevant financial assets.

The Company's other financial assets include monetary funds and other receivables. The credit risk relating to these financial assets arises from the default of counterparties, but the maximum exposure to credit risk is the carrying amount of each financial asset in the balance sheet.



# NOTES TO FINANCIAL STATEMENTS

## IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

### (I) Credit Risk (Continued)

The monetary funds held by the Company are mainly deposited with financial institutions such as state-owned banks and other large and medium-sized commercial banks. The management believes that these commercial banks have a higher reputation and assets, so there is no major credit risk and the Company would not have any significant losses caused by the default by these institutions. The Company's policy is to control the amount deposited with these famous financial institutions based on their market reputation, operating size and financial background, to limit the credit risk amount of any single financial institution.

As a part of its credit risk asset management, the Company assesses the impairment loss of trade receivables and other receivables based on ageing. Trade receivables and other receivables of the Company involves a large number of customers and the ageing information can reflect the solvency and bad debt risk of these customers for trade receivables and other receivables. The Company calculates the historical actual bad debt rate for different ageing periods based on historical data, and takes into account the current and future forecast economic conditions, such as national GDP growth rate, total infrastructure investment, national monetary policy and other forward-looking information to adjust expected loss rate.

At the end of the Reporting Period, the carrying amount and expected credit impairment loss of related assets are as follows:

Aging	31 December 2022	Impairment provision
Bills receivable	<b>197,909,715.32</b>	58,083,797.24
Other receivables	<b>22,179,452.55</b>	4,492,775.05
Total	<b>220,089,167.87</b>	62,576,572.29

The main customers of the Company are enterprises and residents in the respective heat service area and have reliable and good reputation. As such, the Company is of the view that these customers do not have material credit risk. There is no material credit concentration risk as the Company has a broad customer base.



# NOTES TO FINANCIAL STATEMENTS

## IX. DISCLOSURE OF RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

### (II) Liquidity Risk

Liquidity risk refers to the risk of fund shortage when the Company performs its obligation by cash payment or settlement through other financial assets. The Company's member entities are responsible for their respective cash flow projections. The Company entered into a credit line banking facilities agreement with its principal banks to provide support for the Company's obligations related to commercial bills. As at 31 December 2022, the Company had bank credit facilities from various domestic banks amounting to RMB700.00 million, which was unutilized; of which, credit facilities of RMB234.00 million was utilized.

The heat supply income from the Company's principal business is a one-off fee collected prior to the provision of service and the Company has sufficient cash flow and no risk of shortage of funds.

### (III) Market Risk

#### 1. Interest rate risk

The interest rate risk of the Company mainly associates with bank borrowings, etc. Floating rate financial liabilities expose the Company to cash flow interest rate risk, while fixed rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the comparative proportion of fixed rate contracts and floating rate contracts based on the then market conditions. As of 31 December 2022, the Company's interest-bearing debt was short-term borrowings with a balance of RMB234.0 million.

The Company's risk of changes in the cash flow of financial instruments due to changes in interest rates is primarily associated with floating rate bank borrowings. It is the Company's policy to maintain a floating interest rate on these borrowings to eliminate the fair value risk of changes in interest rates.

#### 2. Price risk

The main raw materials and heat sources for the Company's heating services are priced by the market, while the heating charges are mainly set by the government. The government implements policy regulation to heating price, and the Company does not have pricing power itself. Policy pricing brings certain operational risks to the Company.



# NOTES TO FINANCIAL STATEMENTS

## X. FAIR VALUE

### (I) Financial Instruments Measured at Fair Value

As of 31 December 2022, the Company has no financial instruments measured at fair value.

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (I) General Information of the Parent Company

Name of parent company	Place of registration	Nature of business	Registered capital (RMB0'000)	Percentage of shareholding in the Company (%)	Percentage of voting right in the Company (%)
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司) (formerly known as Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司))	No. 998 Nanhu Road, Nanguan District, Changchun City	Heat production service	36,100	69.75	69.75

The ultimate controlling party of the Company is SASAC Changchun.

### (II) For details of the subsidiaries of the Company, please refer to Note VIII(I) Interests in Subsidiaries



# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (III) Particulars of Other Related Parties

<u>Name of other related party</u>	<u>Relationship between other related parties and the Company</u>
LIU Changchun	Chairman and non-executive Director
YANG Zhongshi	Vice chairman, executive Director and general manager
SHI Mingjun	Executive Director and deputy general manager
XU Chungang	Executive Director, deputy general manager and financial controller
LI Yeji	Executive Director
FU Yachen	Independent non-executive Director
POON Pok Man	Independent non-executive Director
WAN Tao	Board secretary and joint company secretary
LEE Chung Shing	Joint company secretary
WANG Yuguo	Independent non-executive Director
QIU Jianhua	Chairman of the Supervisory Committee, director of parent company
ZHANG Wei	Supervisor
LI Xiaoling	Employee representative Supervisor
LIU Yanan	Director of parent company
LI Qingmin	Director of parent company
DONG Hongyi	Director of parent company
YU Yang	Director of parent company
FU Qiong	Director of parent company
LI Hongfeng	Director of parent company
WANG Shuang	Director of parent company
ZHANG Liming	Director of parent company
ZHOU Lijuan	Supervisor of parent company
DONG Jinyu	Supervisor of parent company
GUO Hongfeng	Supervisor of parent company
NIU Li	Chief supervisor of parent company
Close family members of directors, supervisors and senior managers	



# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (III) Particulars of Other Related Parties (Continued)

Name of other related party	Relationship between other related parties and the Company
Jilin Province Heating Group Co., Ltd.* (吉林省熱力集團有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Meihekou Public Utilities Co., Ltd.* (吉林省熱力集團梅河口市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Huinan Public Utilities Co., Ltd.* (吉林省熱力集團輝南縣公用事業有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Liaoyuan Public Utilities Co., Ltd.* (吉林省熱力集團遼源市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Baicheng Public Utilities Co., Ltd.* (吉林省熱力集團白城市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Da'an Public Utilities Co., Ltd.* (吉林省熱力集團大安市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Tonghua Public Utilities Co., Ltd.* (吉林省熱力集團通化市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Fusong Public Utilities Co., Ltd.* (吉林省熱力集團撫松縣公用事業有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Baishan Public Utilities Co., Ltd.* (吉林省熱力集團白山市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Panshi Public Utilities Co., Ltd.* (吉林省熱力集團磐石市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Chuncheng Security Guarding and Escorting Co., Ltd.* (吉林省春城保安守護押運有限公司)	Entity controlled by same parent company
Changre (Yanbianzhou) Public Utilities Group Co., Ltd.* (長熱(延邊州)公用事業集團有限公司)	Entity controlled by same parent company
Jilin Heating Group Yanji Public Utilities Co., Ltd.* (吉熱集團延吉市公用事業有限公司)	Entity controlled by same parent company
Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Changre Properties Co., Ltd.* (吉林省長熱物業有限公司)	Entity controlled by same parent company
Changchun Runfeng Bathhouse Service Co., Ltd.* (長春市潤鋒洗浴服務有限公司)	Entity controlled by same parent company
Changchun Runfeng Gardening and Greening Co., Ltd.* (長春市潤鋒園林綠化有限公司)	Entity controlled by same parent company
Changre Group Jilin Changtie Public Utilities Co., Ltd.* (長熱集團吉林長鐵公用事業有限公司)	Entity controlled by same parent company



# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (III) Particulars of Other Related Parties (Continued)

Name of other related party	Relationship between other related parties and the Company
Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	Entity controlled by same parent company
Changchun Chuntou Environmental Energy Technology Co., Ltd.* (長春市春投環能科技有限公司)	Entity controlled by same parent company
Inner Mongolia Changre Heating Co., Ltd.* (內蒙古長熱熱力有限公司)	Entity controlled by same parent company
Inner Mongolia Chuncheng Heating Service Co., Ltd.* (內蒙古春城熱力服務有限公司)	Entity controlled by same parent company
Changre Group Linjiang Heat Supply Co., Ltd.* (長熱集團臨江市供熱有限公司)	Entity controlled by same parent company
Jilin Province Manjiang Heating Co., Ltd.* (吉林省漫江熱力有限責任公司)	Entity controlled by same parent company
Changchun Xinda Construction Project Management Co., Ltd.* (長春市新達建設項目管理有限公司)	Entity controlled by same parent company
Jilin Province Chuncheng Media Co., Ltd.* (吉林省春城傳媒有限公司)	Entity controlled by same parent company
Jilin Province Smart Equipment Co., Ltd.* (吉林省智能裝備有限責任公司)	A associated company of the parent company
Jilin Province Xinda Investment Management Co., Ltd.* (吉林省新達投資管理有限公司)	A associated company of the parent company
Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限責任公司)	A associated company of the parent company
Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司)	A associated company of the parent company
Changchun SDIC Microfinance Co., Ltd.* (長春市國投小額貸款股份有限公司)	A company in which the parent company holds participating shareholding
Changchun Longtai Heating Property Co., Ltd.* (長春龍泰供熱物業有限責任公司)	A company in which the parent company holds participating shareholding
Sunshine 100 China Holdings Ltd.	A corporation or other organization holding more than 5% of the shares
Changchun State Capital Investment Operation (Group) Co., Ltd.* (長春市國有資本投資運營(集團)有限公司)	A corporation or other organization holding more than 5% of the shares
Dalian Longhua Weiye Technology Co., Ltd.* (大連龍華偉業科技有限公司)	ZHOU Lijuan has been holding the shareholding to date
Changchun Limin Smoking Cessation Counseling Service Center* (長春市利民戒煙諮詢服務中心)	GUO Hongfeng has been holding the shareholding to date
Jilin Chuncheng Investment Co., Ltd.* (吉林省春城投資有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Changchun SDIC Water Environmental Protection Construction Investment Co., Ltd.* (長春城投水務環保建設投資有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Changchun Outong Trading Co., Ltd.* (長春歐通商貿股份有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position





# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (III) Particulars of Other Related Parties (Continued)

Name of other related party	Relationship between other related parties and the Company
Changchun SDIC Smart Urban Construction Technology Co., Ltd.* (長春城投智慧城建科技有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Changchun SDIC Cultural and Creative Industry Development Co., Ltd.* (長春城投文創產業發展有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Changchun SDIC Ecological and Environmental Protection Construction Investment Co., Ltd.* (長春城投生態環保建設投資有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Jilin Rike Hans Electric Co., Ltd.* (吉林瑞科漢斯電氣股份有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Shanghai Miaohe Lando Food Technology Co., Ltd.* (上海妙可藍多食品科技股份有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Jilin Nongan Rural Commercial Bank Co., Ltd.* (吉林農安農村商業銀行股份有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Qiming Information Technology Co., Ltd.* (啟明信息技術股份有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Dongzheng Ronghui Securities Asset Management Co., Ltd.* (東證融匯證券資產管理有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Orient Fund Management Co., Ltd.* (東方基金管理股份有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Northeast Securities Co., Ltd.* (東北證券股份有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Bohai Futures Co., Ltd.* (渤海期貨股份有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Jilin Electric Power Co., Ltd.* (吉林電力股份有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Jilin Expressway Co., Ltd.* (吉林高速公路股份有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Erdao District Fenghua Bathroom Agency* (二道區峰華衛浴經銷處)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Changchun Investment and Construction (Group) Co., Ltd.* (長春城投建設投資(集團)有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position



# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (III) Particulars of Other Related Parties (Continued)

Name of other related party	Relationship between other related parties and the Company
Asia Energy Logistics Group Limited (亞洲能源物流集團有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold a position
Changchun High-Tech Cultural Tourism Development., Ltd.* (長春高新文化旅遊建設開發有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold position
Changchun Construction Group Ltd.* (長春建工集團有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold position
Changchun Guotou Construction Engineering Company Limited* (長春國投建設工程有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold position
Jilin Jin Yu Wall Materials Company Limited* (吉林省金雨牆材有限公司)	The corporation controlled by immediate family members of director, supervisor or senior management of the Company and the parent company
Farmers' Cooperative in Fangda of Qitamu Town, Jutai District, (九台區其塔木鎮方達養殖農民專業合作社)	The corporation controlled by immediate family members of director, supervisor or senior management of the Company and the parent company
Changchun Fangda Forestry & Animal Husbandry Company Limited* (長春市方達林牧業有限公司公司)	The corporation controlled by immediate family members of director, supervisor or senior management of the Company and the parent company
Pangshi Guotai Security Services Limited* (磐石市國泰保安服務有限公司)	An associated company of a controlling shareholder
Changchun Runde Investment Group Limited* (長春潤德投資集團有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold position
Changchun Konggang Xiangyue Investment Company Limited* (長春空港翔悅投資有限公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold position
Changchun Water (Group) Company Limited* (長春水務(集團)有限責任公司)	The corporation in which director, supervisor or senior management of the Company and the parent company hold position



# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (IV) Related Party Transactions

- For the subsidiaries which are controlled by the Company and combined into the combined financial statements, the transactions amongst themselves and that between the Company and them have been eliminated.
- Related transactions in relation to purchase of goods and receipt of services

Related party	Description of the related party transaction	Incurred during the current period	Incurred during the previous period
Jilin Province Changre Properties Co., Ltd.* (吉林省長熱物業有限公司)	Receipt of services	<b>86,707.36</b>	86,707.36
Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司)	Purchase of goods	<b>14,755,053.30</b>	6,311,369.31
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Purchase of goods Receipt of services	<b>117,327,447.56</b>	66,221,857.81
Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限責任公司)	Purchase of goods	<b>12,976,211.11</b>	21,721,428.18
Changchun Thermal Power Branch of Jilin Electric Power Co., Ltd.* (吉林電力股份有限公司長春熱電分公司)	Purchase of goods	<b>148,575,500.50</b>	143,430,775.37
Total	—	<b>293,720,919.83</b>	237,772,138.03



# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (IV) Related Party Transactions (Continued)

#### 3. Related transactions in relation to sale of goods and provision of services

Related party	Description of the related party transaction	Incurred during the current period	Incurred during the previous period
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Sale of goods Provision of services	<b>10,417,966.49</b>	22,825,067.02
Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林市公用事業有限公司)	Sale of goods		1,703,434.16
Jilin Province Heating Group Panshi Public Utilities Co., Ltd.* (吉林省熱力集團磐石市公用事業有限公司)	Sale of goods		546,731.68
Jilin Heating Group Co., Ltd.* (吉林省熱力集團有限公司)	Provision of services	<b>4,719,180.30</b>	
Jilin Heating Group Tonghua Utility Co., Ltd.* (吉林省熱力集團通化市公用事業有限公司)	Sale of goods	<b>2,443,986.88</b>	
Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	Sale of goods Provision of services	<b>2,920,445.11</b>	4,079,604.94
Inner Mongolia Chuncheng Heating Service Co., Ltd.* (內蒙古春城熱力服務有限公司)	Sale of goods	<b>344,298.92</b>	
Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	Sale of goods Provision of services	<b>61,977.51</b>	17,821,504.09
Changre Group Jilin Changtie Public Utilities Co., Ltd.* (長熱集團吉林長鐵公用事業有限公司)	Sale of goods		1,363,207.17
Changchun Longtai Heating Property Co., Ltd.* (長春龍泰供熱物業有限責任公司)	Sale of goods	<b>4,711,321.10</b>	4,577,936.93
Changchun Investment and Construction (Group) Co., Ltd.* (長春城投建設投資(集團)有限公司)	Sale of goods	<b>235,960.08</b>	137,855.95
Jilin Province Heating Group Meihekou Public Utilities Co., Ltd.* (吉林省熱力集團梅河口市公用事業有限公司)	Provision of services		204,528.30
Jilin Province Changre Properties Co., Ltd.* (吉林省長熱物業有限公司)	Provision of services		383,851.38
Sub-total of related natural person	Sale of goods	<b>56,256.84</b>	52,521.77
Total	—	<b>25,911,393.23</b>	53,696,243.39



# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (IV) Related Party Transactions (Continued)

#### 4. Related entrustment

##### (1) Particulars of entrustment business of the Company

Entrusting party	Trustee	Type of entrusted assets	Commencement date of entrustment	Termination date of entrustment	Pricing basis of entrustment fee	Revenue from entrustment recognised during the current period
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司)	Operation and management rights of heat supply business	18 November 2021	31 December 2023	Cost plus pricing method	4,266,573.59
Total						4,266,573.59

#### 5. Particulars of leasing with related party

##### The Company as the lessee

Name of the lessor	Type of leased assets	Rental fee recognized during the current period	Rental fee recognized during the previous period
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Property	2,436,559.67	855,415.86
Jilin Province Changre Properties Co., Ltd.* (吉林省長熱物業有限公司)	Property		60,000.00
Total		2,436,559.67	915,415.86



# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (IV) Related Party Transactions (Continued)

#### 6. Remuneration of key management

##### (1) Remuneration of key management

Item	Incurred during the current period	Incurred during the previous period
LIU Changchun		
YANG Zhongshi	<b>545,540.37</b>	671,452.99
XU Chungang	<b>495,180.37</b>	530,989.61
SHI Mingjun	<b>498,733.37</b>	611,770.97
ZHANG Liming	<b>390,221.71</b>	432,772.80
LIU Yanan	<b>106,674.66</b>	
LI Yeji	<b>275,007.98</b>	263,080.80
WAN Tao	<b>297,437.76</b>	272,700.80
LI Xiaoling	<b>244,119.84</b>	251,526.88
WANG Yuguo	<b>100,000.00</b>	100,000.00
FU Yachen	<b>100,000.00</b>	100,000.00
POON Pok Man	<b>150,000.00</b>	150,000.00
Total	<b>3,202,916.06</b>	3,384,294.85

Note: ZHANG Liming has resigned as the deputy general manager on September 2022. LIU Yanan was appointed as the deputy general manager on September 2022.

The remuneration of the Directors and Supervisors as disclosed under the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is set out as follows:

Item	Incurred during the current period	Incurred during the previous period
Fee	<b>350,000.00</b>	350,000.00
Other emoluments:		
Salaries, allowances and benefits in kind	<b>1,784,788.01</b>	2,052,294.13
Retirement scheme contributions	<b>105,300.00</b>	144,885.12
Performance bonuses	<b>168,493.92</b>	131,642.00
Total	<b>2,408,581.93</b>	2,678,821.25



# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (IV) Related Party Transactions (Continued)

#### 6. Remuneration of key management (Continued)

##### (1) Remuneration of key management (Continued)

The remuneration of the Directors and Supervisors of the Company for the year ended 31 December 2022 is set out as follows:

Item	Fee	Salaries, allowances and benefits in kind	Performance bonuses	Retirement scheme contributions	Total
Executive Director:					
YANG Zhongshi		509,857.65		35,682.72	545,540.37
XU Chungang		459,497.65		35,682.72	495,180.37
SHI Mingjun		463,050.65		35,682.72	498,733.37
LI Yeji		189,679.34	54,000.00	31,328.64	275,007.98
Sub-total		1,622,085.29	54,000.00	138,376.80	1,814,462.09
Non-executive Director:					
LIU Changchun					
Sub-total					
Independent non-executive Director:					
WANG Yuguo	100,000.00				100,000.00
FU Yachen	100,000.00				100,000.00
POON Pok Man	150,000.00				150,000.00
Sub-total	350,000.00				350,000.00
Supervisor:					
LI Xiaoling		162,702.72	51,300.00	30,117.12	244,119.84
Sub-total		162,702.72	51,300.00	30,117.12	244,119.84
Total	350,000.00	1,784,788.01	105,300.00	168,493.92	2,408,581.93



# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (IV) Related Party Transactions (Continued)

#### 6. Remuneration of key management (Continued)

##### (1) Remuneration of key management (Continued)

The remuneration of the Directors and Supervisors of the Company for the year ended 31 December 2021 is set out as follows:

Item	Fee	Salaries, allowances and benefits in kind	Performance bonuses	Retirement scheme contributions	Total
Executive Director:					
YANG Zhongshi		642,143.71		29,309.28	671,452.99
XU Chungang		501,680.33		29,309.28	530,989.61
SHI Mingjun		582,461.69		29,309.28	611,770.97
LI Yeji		172,829.52	60,942.00	29,309.28	263,080.80
Sub-total		1,899,115.25	60,942.00	117,237.12	2,077,294.37
Non-executive Director:					
LIU Changchun					
Sub-total					
Independent non-executive Director:					
WANG Yuguo	100,000.00				100,000.00
FU Yachen	100,000.00				100,000.00
POON Pok Man	150,000.00				150,000.00
Sub-total	350,000.00				350,000.00
Supervisor:					
LI Xiaoling		153,178.88	70,700.00	27,648.00	251,526.88
Sub-total		153,178.88	70,700.00	27,648.00	251,526.88
Total	350,000.00	2,052,294.13	131,642.00	144,885.12	2,678,821.25





# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (IV) Related Party Transactions (Continued)

#### 6. Remuneration of key management (Continued) (2) Five highest paid employees

For the year ending 31 December 2022, the five highest paid employees comprise three Directors and two senior executives (2021: three Directors and two senior executive). Details of the remuneration of the Directors and Supervisors are set out in note XII(V) above. Details of the remuneration of the remaining highest paid employees who are neither a Director nor a Supervisor of the Company are as follows:

Item	Incurred during the current period	Incurred during the previous period
Salaries, allowances and benefits in kind	<b>638,055.76</b>	619,661.04
Performance bonuses	<b>71,783.00</b>	77,933.00
Retirement scheme contributions	<b>62,171.28</b>	58,618.56
Total	<b>772,010.04</b>	756,212.60

The number of highest paid employees who are neither a Director nor a Supervisor and whose remuneration falls within the following bands are as follows:

Band	Number of employees during the current year	Number of employees during the previous year
Nil to HK\$1,000,000	<b>2</b>	2



# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (IV) Related Party Transactions (Continued)

#### 7. Amounts due from/to related party

##### (1) Amounts due from related parties to the Company

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Trade receivables					
	Jilin Province Heating Group Meihekou Public Utilities Co., Ltd.* (吉林省熱力集團梅河口市公用事業有限公司)			216,800.00	16,904.43
	Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	834,920.10	47,590.45	8,807,398.20	686,734.48
	Changchun Longtai Heating Property Co., Ltd.* (長春龍泰供熱物業有限責任公司)	995,000.00	842,465.50	995,000.00	681,991.71
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	10,983,369.94	637,370.08	17,652,604.04	1,343,099.78
	Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	3,020,828.90	172,187.25	6,883,850.65	536,750.74
	Inner Mongolia Chuncheng Heating Service Co., Ltd.* (內蒙古春城熱力服務有限公司)	238,648.00	13,602.94		
	Jilin Province Heating Group Co., Ltd.* (吉林省熱力集團有限公司)	4,680,342.60	266,779.53		
	Changchun Investment and Construction (Group) Co., Ltd.* (長春城投建設投資(集團)有限公司)	46,946.31	10,304.72	46,946.31	3,660.52
	Jilin Heating Group Tonghua Utility Co., Ltd.* (吉林省熱力集團通化市公用事業有限公司)	1,229,833.00	70,100.48		
Prepayments					
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	40,897,797.61		42,002,832.64	
	Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司)	5,647,559.36			
	Changchun Thermal Power Branch of Jilin Electric Power Co., Ltd.* (吉林電力股份有限公司長春熱電分公司)	143,951,891.83		101,749,804.50	
Other receivables					
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)			1,027,786.60	43,804.79
	Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林省公用事業有限公司)	15,000.00	15,000.00	15,000.00	15,000.00
	Jilin Province Heating Group Limited* (吉林省熱力集團有限公司)			401.30	17.10
Contract assets					
	Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	1,577,464.60	331,178.54	5,941,997.75	651,872.17
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	4,133,225.11	797,612.67	5,017,373.30	391,216.92
	Changchun Investment and Construction (Group) Co., Ltd.* (長春城投建設投資(集團)有限公司)	3,014,745.47	1,246,086.80	4,798,685.19	1,168,235.02
	Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	301,723.30	51,927.76	1,570,519.40	401,961.98



# NOTES TO FINANCIAL STATEMENTS

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (IV) Related Party Transactions (Continued)

#### 7. Amounts due from/to related party (Continued)

##### (2) Amounts due to related parties from the Company

Item	Related party	Closing balance	Opening balance
Trade payables			
	Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限責任公司)	15,636,789.54	12,061,937.02
	Changchun Chuncheng Investment Group Company Limited* (長春市春城投資集團有限公司)		5,909,415.75
	Jilin Province Smart Equipment Company Limited* (吉林省智能裝備有限責任公司)	1,637,227.08	1,555,867.08
Other payables			
	Jilin Province Heating Group Co., Ltd.* (吉林省熱力集團有限公司)	905.52	
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	6,719,003.57	5,673,616.09
Contract liabilities			
	Changchun Longtai Heating Property Co., Ltd.* (長春龍泰供熱物業有限責任公司)	17,782,849.63	
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	3,138,944.80	13,139,612.91

## XII. SHARE-BASED PAYMENT

None.

## XIII. COMMITMENT AND CONTINGENCY

### (I) Significant Commitment

The Company has no significant commitments which shall be disclosed as of 31 December 2022.

### (II) Significant Contingency as at the Balance Sheet Date

The Company has no significant contingency which needs to be disclosed as of 31 December 2022.



# NOTES TO FINANCIAL STATEMENTS

## XIV. EVENTS AFTER BALANCE SHEET DATE

### (I) Significant Non-adjusting Event

None.

### (II) Particulars of Profit Distribution

The Board resolved on 31 March 2023 to make a distribution of dividend amounting to RMB0.09 per share (tax inclusive) to shareholders for the year ended 31 December 2022, subject to approval by shareholders at the forthcoming AGM. No liability was recognised at the end of the Reporting Period for the dividend proposed after the end of the Reporting Period.

## XV. QUALITATIVE DISCLOSURES RELATING TO LEASES

### (I) Disclosure as Lessee:

#### 1. Leases

Name of lessee	Name of lessor	Leases item	Term of lease	Use of lease item	Leasing terms
Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司)	Changchun Weishi Lighting Technology Co., Ltd.* (長春為實照明科技有限公司)	Property	2018/7/15 to 2023/7/15	Office	The leased area is 432.65 square meters, and the rent is RMB280,000 per year. Payment shall be made once a year. The lessee shall pay the next installment rent to the lessor in a lump sum at least 10 days in advance.
Jilin Province Changre Maintenance Service Company Limited* (吉林省長熱維修實業有限公司)	Changchun Sunshine Heating Co., Ltd.* (長春市陽光供熱有限責任公司)	Property	2021/1/1 to 2023/12/31	Office	The gross floor area is 1,417 square meters, and the rent is RMB500,000 per year. The rent will remain unchanged for three years. The rent shall be paid within 10 days after entering into the contract.



# NOTES TO FINANCIAL STATEMENTS

## XV. QUALITATIVE DISCLOSURES RELATING TO LEASES (Continued)

### (I) Disclosure as Lessee: (Continued)

#### 2. Simplified approach to the short-term lease and lease of low-value assets

Name of lessee	Name of lessor	Leases item	Category	Term of lease	Use of lease item	Leasing terms	Rental fee recognized for current period (RMB)
Changchun Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限公司)	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Property	Short-term lease	2021/5/1 to 2022/4/30	Office	The gross floor area is 600 square meters, and the rent is RMB400,000 per year. The rent for the year shall be paid within 15 days after entering into the contract.	122,324.17
Changchun Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限公司)	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Property	Short-term lease	2022/5/1 to 2023/4/30	Office	The gross floor area is 600 square meters, and the rent is RMB400,000 per year. The rent for the year shall be paid within 15 days after entering into the contract.	244,648.31
Jilin Province Chuncheng Heating Company Limited	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Property	Short-term lease	2021/5/1 to 2022/4/30	Office	The gross floor area is 967.15 square meters and the rent is RMB 360,000 per year. The rent for the year shall be paid within ten days after entering into the contract.	110,091.75
Jilin Province Chuncheng Heating Company Limited	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Property	Short-term lease	2022/5/1 to 2023/4/30	Office	The gross floor area is 967.15 square meters and the rent is RMB 360,000 per year. The rent for the year shall be paid within ten days after entering into the contract.	220,183.49
Jilin Province Chuncheng Heating Company Limited	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Property	Short-term lease	2022/1/4 to 2023/1/3	Material storage	The gross floor area is 700 square meters and the rent is RMB76,650 per year. Quarterly rent shall be paid within ten days before the end of the last month in each quarter.	70,321.12
Jilin Province Chuncheng Heating Company Limited	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Property	Short-term lease	2022/1/4 to 2023/1/3	Office	The gross floor area is 1,410 square meters and the rent is RMB821,100 per year. Quarterly rent shall be paid within ten days before the end of the last month in each quarter.	753,302.76
Jilin Province Chuncheng Heating Company Limited	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Property	Short-term lease	2021/10/10 to 2022/10/9	Office	The gross floor area is 1,700 square meters and the rent is RMB990,000. Quarterly rent shall be paid within ten days before the end of the last month in each quarter.	227,064.22
Jilin Province Chuncheng Heating Company Limited	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Property	Short-term lease	2022/10/10 to 2023/10/9	Office	The gross floor area is 1,700 square meters and the rent is RMB990,000. Quarterly rent shall be paid within ten days before the end of the last month in each quarter.	688,623.85
Jilin Province Chuncheng Heating Company Limited	Changchun Sunshine Heating Co., Ltd.* (長春市陽光供熱有限公司)	Property	Short-term lease	2021/10/28 to 2022/10/28	Office	The gross floor area is 1,170 square meters and the rent is RMB450,000. The rent for the year shall be paid within seven days after entering into the contract.	321,428.57
Jilin Province Chuncheng Heating Company Limited	Changchun Sunshine Heating Co., Ltd.* (長春市陽光供熱有限公司)	Property		2022/10/28 to 2023/10/28	Office	The gross floor area is 1,170 square meters and the rent is RMB450,000. The rent for the year shall be paid within seven days after entering into the contract.	107,142.86
Total							2,865,131.10



# NOTES TO FINANCIAL STATEMENTS

## XVI. OTHER SIGNIFICANT MATTERS

### (I) Historical Accounting Errors

#### 1. Retrospective restatement approach

Content of accounting error correction	Handling procedure	Affected items in statements for respective comparison period	Cumulative impact
Adjustment related to consolidated goodwill in connection with the transfer of boilers and other assets from Yatai Heating at nil compensation	Approved by the Board of the Company	Goodwill Capital reserve Surplus reserve	-92,264,674.94 -68,370,342.51 -23,894,332.43

### (II). Segment Information

#### 1. Basis of determining reportable segments and the accounting policies

The Company determined operating segments based on the internal organizational structure, management requirements and internal reporting system. Each of the Company's reportable segments is a component that meets all the following criteria:

- (1) The component generates income and incur expenses in daily activities;
- (2) The management can evaluate the operating results of the component regularly to determine the allocation of resources thereto and evaluate its performance;
- (3) The relevant accounting information such as the financial status, operating results and cash flow of the component can be available.

The Company determines the reportable segment based on the operating segment. The operating segment that meets either of the following conditions is determined as a reportable segment:

- (1) Revenue from the operating segment accounts for 10% or above of the total segment revenue;
- (2) The net profits (losses) from the segment shall account for 10% or above of the greater of the total net profits of all profitable segments and the total net losses of all loss-making segments.



# NOTES TO FINANCIAL STATEMENTS

## XVI. OTHER SIGNIFICANT MATTERS (Continued)

### (II). Segment Information (Continued)

#### 1. Basis of determining reportable segments and the accounting policies (Continued)

If the total revenue from the external transactions of the operating segments under the reportable segment determined in accordance with the above accounting policies does not reach 75% of the consolidated total revenue, the number of reportable segments shall be increased, to this end, other non-reportable operating segments will be included into the reportable segment according to the following standards until such proportion reaches 75%:

- (1) Identify the operating segment for which management believes that disclosure of the operating segment information is useful for users of accounting information as the reportable segment;
- (2) Consolidate the operating segment with one or more other operating segments with similar economic characteristics that meet the operating segment consolidation conditions as one reportable segment.

Inter-segment transfer prices are determined on the basis of actual transaction prices, and the assets and relevant expenses shared by each segment are allocated between segments in proportion to its revenue.

#### 2. Factors considered by the Company while determining the reportable segment, the products and services classification of the reportable segment

The reportable segments of the Company are business units providing different products and services. Since different businesses require different technologies and market strategies, the Company manages the production and operation activities of the reportable segment separately, and evaluates its operating results individually so as to allocate resources to them and evaluate their performance.

The Company has two reportable segments, namely the heat supply segment and the construction, maintenance and design services segment. The heat supply segment is responsible for providing heat and pipe network transmission services; while the construction, maintenance and design services segment is responsible for providing engineering construction, maintenance and design services.



# NOTES TO FINANCIAL STATEMENTS

## XVI. OTHER SIGNIFICANT MATTERS (Continued)

### (II). Segment Information (Continued)

#### 3. Financial information of the reportable segments

Unit: RMB

Item	31 December 2022/January to December 2022			
	Heat supply segment	Construction, maintenance and design services segment	Write-off	Total
I. TOTAL OPERATING INCOME	1,544,773,639.68	206,751,114.66	-96,819,601.66	1,654,705,152.68
Of which: Income from transactions with external customers	1,538,419,575.87	116,285,576.81		1,654,705,152.68
Income from inter-segment transactions	6,354,063.81	90,465,537.85	-96,819,601.66	
II. OPERATING COSTS	1,409,798,999.82	102,715,019.78	-88,457,260.04	1,424,056,759.56
Of which: Depreciation expenses and Amortisation expenses				
III. INVESTMENT INCOME FROM ASSOCIATES AND JOINT VENTURES				
IV. CREDIT IMPAIRMENT LOSS	-4,074,825.07	37,009,874.84		32,935,049.77
V. IMPAIRMENT LOSS ON ASSETS		-17,095,441.97		-17,095,441.97
VI. TOTAL ASSETS	3,861,025,298.14	345,770,628.52	-1,167,820,969.85	3,038,974,956.81
VII. TOTAL LIABILITIES	2,566,385,009.78	219,557,636.79	-658,869,127.88	2,127,073,518.69
VIII. OTHER IMPORTANT NON-CASH ITEMS				





# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### Remark 1. Trade Receivables

1. Disclosure of trade receivables based on aging

<b>Aging</b>	<b>Closing balance</b>	<b>Opening balance</b>
Within 1 year	<b>47,880,051.48</b>	29,227,366.34
1 to 2 years	<b>10,338,409.63</b>	7,584,790.49
2 to 3 years	<b>6,642,333.15</b>	1,062,506.02
3 to 4 years	<b>485,430.45</b>	842,343.86
4 to 5 years	<b>384,636.11</b>	24,363.33
Over 5 years	<b>5,831,723.16</b>	7,249,272.08
Sub-total	<b>71,562,583.98</b>	45,990,642.12
Less: provision for bad debts	<b>10,135,989.57</b>	9,518,118.93
Total	<b>61,426,594.41</b>	36,472,523.19



# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Remark 1. Trade Receivables (Continued)

2. Disclosure based on classification of provision method for bad debts

Category	Closing balance				Carrying amount
	Carrying balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Trade receivables subjected to provision for ECL on individual basis					
Trade receivables subjected to provision for ECL on portfolio basis	71,562,583.98	100.00	10,135,989.57	14.16	61,426,594.41
Of which: Ageing analysis portfolio — Heat supply business	42,215,232.20	59.00	6,629,077.04	15.70	35,586,155.16
Ageing analysis portfolio — Basic heating fee	18,337,754.33	25.62	3,431,308.88	18.71	14,906,445.45
Related party portfolio	11,009,597.45	15.38	75,603.65	0.69	10,933,993.80
<b>Total</b>	<b>71,562,583.98</b>	<b>100.00</b>	<b>10,135,989.57</b>	<b>14.16</b>	<b>61,426,594.41</b>

Category	Open balance				Carrying amount
	Carrying balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Trade receivables subjected to provision for ECL on individual basis					
Trade receivables subjected to provision for ECL on portfolio basis	45,990,642.12	100.00	9,518,118.93	20.70	36,472,523.19
Of which: Ageing analysis portfolio — Heat supply business	30,466,928.64	66.25	5,566,757.80	18.27	24,900,170.84
Ageing analysis portfolio — Basic heating fee	13,178,294.99	28.65	3,951,361.13	29.98	9,226,933.86
Related party portfolio	2,345,418.49	5.10			2,345,418.49
<b>Total</b>	<b>45,990,642.12</b>	<b>100.00</b>	<b>9,518,118.93</b>	<b>20.70</b>	<b>36,472,523.19</b>



# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Remark 1. Trade Receivables (Continued)

3. Trade receivables subjected to provision for ECL on portfolio basis

(1) Ageing analysis portfolio — Heat supply business

Aging	Carrying balance	Closing balance	
		Provision for bad debts	Proportion of provision (%)
Within 1 year	30,050,515.80	779,281.67	2.59
1 to 2 years	3,599,760.35	500,363.79	13.90
2 to 3 years	4,114,835.64	1,104,318.54	26.84
3 to 4 years	57,032.99	22,234.39	38.99
4 to 5 years	384,636.11	214,427.35	55.75
Over 5 years	4,008,451.31	4,008,451.31	100.00
<b>Total</b>	<b>42,215,232.20</b>	<b>6,629,077.04</b>	<b>15.70</b>

Aging	Carrying balance	Opening balance	
		Provision for bad debts	Proportion of provision (%)
Within 1 year	20,866,352.75	409,661.45	1.96
1 to 2 years	4,485,025.47	470,287.26	10.49
2 to 3 years	145,128.36	34,709.69	23.92
3 to 4 years	488,250.53	175,365.59	35.92
4 to 5 years	11,904.74	6,467.02	54.32
Over 5 years	4,470,266.79	4,470,266.79	100.00
<b>Total</b>	<b>30,466,928.64</b>	<b>5,566,757.80</b>	<b>-18.27</b>



# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Remark 1. Trade Receivables (Continued)

3. Trade receivables subjected to provision for ECL on portfolio basis (Continued)

(2) Ageing analysis portfolio — Basic heating fee

Aging	Carrying balance	Closing balance	
		Provision for bad debts	Proportion of provision (%)
Within 1 year	9,165,356.72	606,949.89	6.62
1 to 2 years	6,738,649.28	816,600.89	12.12
2 to 3 years	182,079.02	35,825.81	19.68
3 to 4 years	428,397.46	148,660.44	34.70
4 to 5 years			
Over 5 years	1,823,271.85	1,823,271.85	100.00
<b>Total</b>	<b>18,337,754.33</b>	<b>3,431,308.88</b>	<b>18.71</b>

Aging	Carrying balance	Opening balance	
		Provision for bad debts	Proportion of provision (%)
Within 1 year	8,361,013.59	672,430.52	8.04
1 to 2 years	754,346.53	123,251.12	16.34
2 to 3 years	917,377.66	220,578.50	24.04
3 to 4 years	354,093.33	148,202.33	41.85
4 to 5 years	12,458.59	7,893.37	63.36
Over 5 years	2,779,005.29	2,779,005.29	100.00
<b>Total</b>	<b>13,178,294.99</b>	<b>3,951,361.13</b>	<b>29.98</b>



# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Remark 1. Trade Receivables (Continued)

4. Allowance for bad debts provided, recovered and reversed in the current period

Category	Open balance	Movement during the current period			Closing balance
		Provision	Recovered or Reversal	Write-off Other changes	
Trade receivables subjected to provision for ECL on individual basis					
Trade receivables subjected to provision for ECL on portfolio basis	9,518,118.93	2,403,210.97	1,785,340.33		<b>10,135,989.57</b>
Of which: Ageing analysis portfolio – Heat supply business	5,566,757.80	1,820,140.77	682,217.88		<b>6,704,680.69</b>
Ageing analysis portfolio – Basic heating fee	3,951,361.13	583,070.20	1,103,122.45		<b>3,431,308.88</b>
Related party portfolio					
<b>Total</b>	<b>9,518,118.93</b>	<b>2,403,210.97</b>	<b>1,785,340.33</b>		<b>10,135,989.57</b>

5. Particulars of the top five trade receivables at the end of the period

Name	Closing balance	Percentage to the closing balance of trade receivables (%)	Provision for bad debts
Jilin Tongxin Heating Group Co., Ltd.* (吉林同鑫熱力集團股份有限公司)	<b>14,046,143.45</b>	19.63	363,795.12
Jilin Province Xixing Energy Company Limited* (吉林省西興能源有限公司)	<b>5,748,764.98</b>	8.03	
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	<b>2,915,413.98</b>	4.07	75,509.22
Jilin Ruixing Property Services Co., Ltd.* (吉林省瑞星物業服務有限責任公司)	<b>1,520,332.25</b>	2.12	408,057.18
Fusong County Xincheng Heating Company Limited* (撫松縣新城熱力有限公司)	<b>1,350,938.02</b>	1.89	34,989.29
<b>Aggregate closing balance of top five trade receivables</b>	<b>25,581,592.68</b>	35.74	882,350.81



# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Remark 2. Other Receivables

Item	Closing balance	Open balance
Interest payable		
Dividend receivables		
Other receivables	<b>58,943,028.63</b>	126,502,445.61
Total	<b>58,943,028.63</b>	126,502,445.61

(1) Other Receivables

1. Disclosure of other receivables based on ageing

Ageing	Closing balance	Open balance
Within 1 year	<b>12,345,387.81</b>	50,418,719.42
1 to 2 years	<b>38,514,399.99</b>	66,439,429.07
2 to 3 years	<b>68,600.00</b>	833,276.45
3 to 4 years	<b>833,276.45</b>	9,080,414.61
4 to 5 years	<b>9,080,414.61</b>	
Over 5 years		
Sub-total	<b>60,842,078.86</b>	126,771,839.55
Less: Provision for bad debts	<b>1,899,050.23</b>	269,393.94
Total	<b>58,943,028.63</b>	126,502,445.61



# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Remark 2. Other Receivables (Continued)

(1) Other Receivables (Continued)

2. Classification by nature of the receivables

Nature of the amount	Closing balance	Open balance
Petty money	<b>145,152.80</b>	201,296.81
Current account payment	<b>60,696,926.06</b>	126,570,542.74
<b>Total</b>	<b>60,842,078.86</b>	126,771,839.55

3. Disclosure based on three stages of financial asset impairment

Item	Closing balance		Carrying amount	Open balance		Carrying amount
	Carrying balance	Provision for bad debts		Carrying balance	Provision for bad debts	
Stage one	<b>60,842,078.86</b>	<b>1,899,050.23</b>	<b>58,943,028.63</b>	126,771,839.55	269,393.94	126,502,445.61
Stage two						
Stage three						
<b>Total</b>	<b>60,842,078.86</b>	<b>1,899,050.23</b>	<b>58,943,028.63</b>	126,771,839.55	269,393.94	126,502,445.61



# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Remark 2. Other Receivables (Continued)

(1) Other Receivables (Continued)

4. Particulars of provision for bad debts of other receivables

<b>Provision for bad debts</b>	<b>Stage one 12-months ECL</b>	<b>Stage two Lifetime ECL (not credit impaired)</b>	<b>Stage three Lifetime ECL (credit impaired)</b>	<b>Total</b>
Opening balance	269,393.94			269,393.94
Opening balance during the current period which				
— transferred to stage two				
— transferred to stage three				
— reversed to stage two				
— reversed to stage one				
Provision in the current period	1,629,656.29			1,629,656.29
Reversal in the current period				
Charge-off in the current period				
Written-off in the current period				
Other changes				
Closing balance	1,899,050.23			1,899,050.23

5. Other receivables actually written off in the current period

No other receivables actually written off in the current period.





# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Remark 2. Other Receivables (Continued)

(1) Other Receivables (Continued)

6. Particulars of the top five other receivables at the end of the period

Name	Nature of the amount	Closing balance	Ageing	Percentage to the closing balance of other receivables (%)	Closing balance of provision for bad debts
Changchun Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限責任公司)	Current Account Payment	20,000,000.00	1-2 years	32.87	
Jilin Province Chuncheng Biomass Power Co., Ltd* (吉林省春城生物質能源有限公司)	Current Account Payment	19,500,000.00	Within 1 year, 1-2 years	32.05	
Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司)	Current Account Payment	9,109,178.94	3-4 years, 4-5 years	14.97	
Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱電氣儀錶有限公司)	Current Account Payment	766,294.20	3-4 years, 4-5 years	1.26	
Yue Chenhao	Current Account Payment	88,217.92	2-3 years, 3-4 years	0.14	65,713.86
Total		49,463,691.06		81.28	65,713.86

### Remark 3. Long-term Equity Investments

Nature of the amount	Carrying balance	Closing balance Impairment provision	Carrying amount	Carrying balance	Opening balance Impairment provision	Carrying amount
Investments in subsidiaries Investments in associates and joint ventures	565,309,527.07		565,309,527.07	565,309,527.07		565,309,527.07
Total	565,309,527.07		565,309,527.07	565,309,527.07		565,309,527.07



# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Remark 3. Long-term Equity Investments (Continued)

#### 1. Investments in subsidiaries

Investee	Initial investment cost	Opening balance	Increase during the current period	Decrease during the current period	Closing balance	Impairment provision during the current period	Closing balance of impairment provision
Changchun Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限責任公司)	44,539,689.70	44,539,689.70			44,539,689.70		
Jilin Province Changre Maintenance Service Company Limited* (吉林省長熱維修實業有限公司)	16,059,516.45	16,059,516.45			16,059,516.45		
Jilin Province Changre Pipelines Transmission Company Limited* (吉林省長熱管網輸送有限公司)	59,097,018.99	59,097,018.99			59,097,018.99		
Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱電氣儀錶有限公司)	4,022,639.18	4,022,639.18			4,022,639.18		
Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司)	15,000,000.00	20,000,000.00			20,000,000.00		
Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司)	5,813,249.71	5,813,249.71			5,813,249.71		
Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司)	57,561,274.07	108,357,816.86			108,357,816.86		
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)	283,919,596.18	283,919,596.18			283,919,596.18		
Jilin Province Northeast Heating Co., Ltd.* (吉林省東北供熱有限公司)							
Jilin Chuncheng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司)	2,000,000.00	23,500,000.00			23,500,000.00		
Total	488,012,984.28	565,309,527.07			565,309,527.07		

### Remark 4. Operating Income and Operating Costs

#### 1. Operating income, operating costs

Item	Incurred during the current period		Incurred during the previous period	
	Income	Cost	Income	Cost
Principal operating business	981,910,545.95	811,079,456.75	985,245,031.77	763,114,725.66
Other businesses	19,298,170.84	13,616,889.76	724,036.24	1,905.12



# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Remark 4. Operating Income and Operating Costs (Continued)

#### 2. Particulars of contract income

Contract category	Incurred during the current period		Total
	Heat supply business	Other businesses	
1. Type of product	981,910,545.95	19,298,170.84	1,001,208,716.79
Heating supply	897,099,223.96		897,099,223.96
Pipeline connection	59,103,886.98		59,103,886.98
Pipeline transportation	25,707,435.01		25,707,435.01
Others		19,298,170.84	19,298,170.84
2. Disaggregated by business areas	981,910,545.95	19,298,170.84	1,001,208,716.79
Northeast region	981,910,545.95	19,298,170.84	1,001,208,716.79
3. Type of market or customer	981,910,545.95	19,298,170.84	1,001,208,716.79
Corporate	373,054,035.13	19,298,170.84	392,352,205.97
Residential	608,856,510.82		608,856,510.82
4. Type of contract	981,910,545.95	19,298,170.84	1,001,208,716.79
Sale	956,203,110.94	5,087,402.64	961,290,513.58
Service	25,707,435.01	14,210,768.20	39,918,203.21
5. Disaggregated by timing of commodity transfer	981,910,545.95	19,298,170.84	1,001,208,716.79
At a point in time		5,087,402.64	5,087,402.64
Over time	981,910,545.95	14,210,768.20	996,121,314.15
6. Disaggregated by contract term	981,910,545.95	19,298,170.84	1,001,208,716.79
Within 1 year	922,806,658.97	13,757,127.42	936,563,786.39
Over 1 year	59,103,886.98	5,541,043.42	64,644,930.40
7. Disaggregated by sale channels	981,910,545.95	19,298,170.84	1,001,208,716.79
Central heat service	981,910,545.95		981,910,545.95
Others		19,298,170.84	19,298,170.84
<b>Total</b>	<b>981,910,545.95</b>	<b>19,298,170.84</b>	<b>1,001,208,716.79</b>



# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Remark 4. Operating Income and Operating Costs (Continued)

#### 2. Particulars of contract income (Continued)

Contract category	Incurred during the previous period		Total
	Heat supply business	Other businesses	
1. Type of product	985,245,031.77	724,036.24	985,969,068.01
Heating supply	905,937,247.86		905,937,247.86
Pipeline connection	58,106,261.80		58,106,261.80
Pipeline transportation	21,201,522.11		21,201,522.11
Others		724,036.24	724,036.24
2. Disaggregated by business areas	985,245,031.77	724,036.24	985,969,068.01
Northeast region	985,245,031.77	724,036.24	985,969,068.01
3. Type of market or customer	985,245,031.77	724,036.24	985,969,068.01
Corporate	382,165,764.15	724,036.24	382,889,800.39
Residential	603,079,267.62		603,079,267.62
4. Type of contract	985,245,031.77	724,036.24	985,969,068.01
Sale	964,043,509.66		964,043,509.66
Service	21,201,522.11	724,036.24	21,925,558.35
5. Disaggregated by timing of commodity transfer	985,245,031.77	724,036.24	985,969,068.01
At a point in time			
Over time	985,245,031.77	724,036.24	985,969,068.01
6. Disaggregated by contract term	985,245,031.77	724,036.24	985,969,068.01
Within 1 year	927,138,769.97		927,138,769.97
Over 1 year	58,106,261.80	724,036.24	58,830,298.04
7. Disaggregated by sale channels	985,245,031.77	724,036.24	985,969,068.01
Central heat service	985,245,031.77		985,245,031.77
Others		724,036.24	724,036.24
<b>Total</b>	<b>985,245,031.77</b>	<b>724,036.24</b>	<b>985,969,068.01</b>



# NOTES TO FINANCIAL STATEMENTS

## XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

### Remark 5. Investment Income

Item	Incurred during the current period	Incurred during the previous period
Investment income on held-for-trading financial assets during the period in which they are held		296,104.45
Total		296,104.45



# NOTES TO FINANCIAL STATEMENTS

## XVIII. SUPPLEMENTAL INFORMATION

### (1) Breakdown of Non-recurring Profit or Loss for the Period

Item	Amount	Description
Gain or loss on disposal of non-current assets	13,021.19	
Tax rebates and exemptions that were approved by surpassing authority or without official approval documents	28,339.88	
Government grants included in profit or loss for the period (save for those that were closely related to the business of the Company and were granted on a qualitative or quantitative basis in accordance with the national standard)	11,904,941.49	
Fees charged to non-financial enterprises for the use of state funds included in profit or loss for the period		
Gain arising from the acquisition of subsidiaries, associates and joint ventures where the cost of investment is less than the fair value of the identifiable net assets of the investee at the time the investment is acquired		
Gain or loss on exchange of non-monetary assets		
Gain or loss on entrusted investment or management of assets		
Provision for impairment of assets due to force majeure events, such as natural disasters		
Gain or loss on debt restructuring		
Corporate restructuring costs, such as expenses for relocating employees, reorganisation costs, etc.		
Gains or losses arising from the purchase of coal boiler heat from controlling shareholders in excess of the guideline price for cogeneration heat	-42,539,066.97	
Net profit or loss for the period of a subsidiary arising from business combination under common control from the beginning of the period to the date of combination		
Gain or loss arising from contingencies not related to the Company's normal business operations		
Gain or loss on changes in fair value of financial assets held-for-trading and financial liabilities held-for-trading, and investment gains on disposal of financial assets held-for-trading, financial liabilities held-for-trading, debt investments and other debt investments, save for those arising from effective hedging activities that were related to the Company's normal business operations		
Reversal of provision for impairment of receivables separately tested for impairment		
Gain or loss from external entrusted loans		
Gain or loss arising from changes in the fair value of investment properties subsequently measured using the fair value model		
Effect on profit or loss for the period by a one-off adjustment to profit or loss for the period as required by tax, accounting and other laws and regulations		
Custody fee income from trustee operations	5,736,936.04	
Non-operating income and expenses other than those mentioned above	1,127,476.76	
Other items of profit or loss that meet the definition of non-recurring profit or loss		
Less: Impact of income tax	-6,176,938.33	
Impact of minority interests (after tax)		
Total	-17,551,413.28	



# NOTES TO FINANCIAL STATEMENTS

## XVIII. SUPPLEMENTAL INFORMATION (Continued)

### (2) Return on Net assets and Earnings per Share

Profit during the Reporting Period	Weighted average return rate on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	12.69	0.25	0.25
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	14.63	0.28	0.28

Jilin Province Chuncheng Heating Company Limited

31 March 2023



## DEFINITIONS

“AGM”	the annual general meeting of the Company for the year 2022 to be held on Friday, 19 May 2023 or any adjournment thereof
“Articles” or “Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“ASBE”	Accounting Standards for Enterprises — Basic Standards published by the Ministry of Finance and specific accounting standards for enterprises, guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements
“Board”	the board of Directors of the Company
“Chuncheng Investment”	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司), previously known as Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the controlling Shareholder of the Company
“China” or “PRC”	the People’s Republic of China which, for the purposes of this report, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Clean Energy”	Jilin Chuncheng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司), a wholly-owned subsidiary of the Company
“Company” or “We”	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司) (stock code: 1853), a company incorporated in the PRC on 23 October 2017 and is a joint stock limited liability company
“Corporate Governance”	the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic ordinary share(s) in the Company’s registered capital with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and held by PRC nationals or PRC incorporated entities, and are not listed or traded on any stock exchange
“Group”	the Company and its subsidiaries
“H Share(s)”	the issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“heat service area”	gross floor areas covered by heat supply, including both the heat service area which we fully and partially charge for our heat fees
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China





## DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange” or “Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Listing”	the listing of the H Shares of the Company on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Pipelines Company”	Jilin Province Changre Pipelines Transmission Company Limited* (吉林省長熱管網輸送有限公司), a wholly-owned subsidiary of the Company
“Reporting Period”	the period ended from 1 January 2022 to 31 December 2022
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 per share
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Three Supplies and Property Management (三供一業)”	heat supply, water supply, electricity supply and property management services
“Xixing Energy”	Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司), previously known as Changchun FAW Sihuan Kinetic Company Limited* (長春一汽四環動能有限公司), a wholly-owned subsidiary of the Company
“Yatai Heating”	Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司), a wholly-owned subsidiary of the Company
“%”	percent
“*”	for identification purpose only



# CORPORATE INFORMATION

## CORPORATE INFORMATION

Name in Chinese: 吉林省春城熱力股份有限公司  
Name in English: Jilin Province Chuncheng Heating Company Limited\*  
Registered Address: No. 28, Block B, Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, PRC  
Headquarter/  
Principal Place of Business: No. 28, Block B, Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, PRC  
Place of Business in Hong Kong: 46/F, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong  
Company's Website: www.cc-tp.com.cn  
Email: ccrl-zqb@ccrljt.com

## INFORMATION OF SHARES OF THE COMPANY

Stock Short Name: CHUNCHENG HEAT  
Stock Code: 1853

## EXECUTIVE DIRECTORS

Mr. YANG Zhongshi (*Vice Chairman of the Board*)  
Mr. SHI Mingjun  
Mr. XU Chungang  
Mr. LI Yeji

## NON-EXECUTIVE DIRECTOR

Mr. SUN Huiyong (*Chairman of the Board*)  
*(appointed on 29 March 2023)*  
Mr. LIU Changchun (*former Chairman of the Board*)  
*(resigned on 6 March 2023)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Yuguo  
Mr. FU Yachen  
Mr. POON Pok Man

## AUDIT COMMITTEE

Mr. POON Pok Man (*Chairman*)  
Mr. SUN Huiyong (*appointed on 29 March 2023*)  
Mr. WANG Yuguo  
Mr. LIU Changchun (*resigned on 6 March 2023*)

## REMUNERATION COMMITTEE

Mr. FU Yachen (*Chairman*)  
Mr. XU Chungang  
Mr. POON Pok Man

## NOMINATION COMMITTEE

Mr. WANG Yuguo (*Chairman*)  
Mr. YANG Zhongshi  
Mr. FU Yachen

## STRATEGY COMMITTEE

Mr. SUN Huiyong (*Chairman*)  
*(appointed on 29 March 2023)*  
Mr. SHI Mingjun  
Mr. WANG Yuguo  
Mr. LIU Changchun  
*(resigned on 6 March 2023)*



# CORPORATE INFORMATION

## JOINT COMPANY SECRETARIES

Mr. WAN Tao  
Mr. LEE Chung Shing

## H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre,  
183 Queen's Road East, Wan Chai, Hong Kong

## SUPERVISORS

Mr. QIU Jianhua (*Chairman*)  
Ms. ZHANG Wei  
Ms. LI Xiaoling

## AUTHORIZED REPRESENTATIVES

Mr. XU Chungang  
Mr. WAN Tao

## AUDITOR

Da Hua Certified Public Accountants  
Bldg 7, No.16 Xi Si Huan Zhong Road,  
Haidian District, Beijing

## LEGAL ADVISERS

as to Hong Kong law: Lau, Horton & Wise LLP  
In Association with CMS  
Hasche Sigle, Hong Kong LLP  
8th Floor, Nexus Building,  
41 Connaught Road Central,  
Hong Kong  
as to PRC law: Jilin Zhengji Law Firm\*  
(吉林正基律師事務所)  
No.1 Fuzhi Road, Jingyue Economic  
Development Zone, Changchun City,  
Jilin Province, PRC

## PRINCIPAL BANKS

Jilin Jiutai Rural Commercial Bank (Xinjia Branch)  
Jilin Jiutai Rural Commercial Bank (Jingyue Branch)  
Bank of Jilin Co., Ltd. (Changchun Technology Branch)  
Bank of China Co., Ltd. (Nanhu Road Branch)  
Bank of China Co., Ltd. (Jiefang Road Branch)  
Bank of Communications Co., Ltd. (Chaoyang Branch)  
Bank of Jilin Co., Ltd. (Changchun FAW Branch)  
Industrial and Commercial Bank of China Limited  
(People's Square Branch)