



Jilin Province Chuncheng Heating Company Limited *

吉林省春城热力股份有限公司

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

Stock code : 1853



ANNUAL REPORT 2024

* For identification purpose only

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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 570,000 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 69.762 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 field of smart heating.

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				
	2024	2023	2022	2021	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(restated)	(restated)
Revenue	1,805,700	1,694,417	1,654,705	1,649,598	1,896,988
Gross profit	257,155	265,890	230,648	325,317	307,481
Profit before tax	138,321	168,472	165,645	167,084	207,643
Income tax expense	(38,421)	(47,516)	(50,977)	(44,326)	(37,136)
Profit for the year	99,900	120,956	114,668	122,758	170,506

COMBINED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2024	2023	2022	2021	2020
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(restated)	(restated)
Total non-current assets	1,069,031	1,064,494	1,145,486	1,218,151	1,267,666
Total current assets	2,676,805	1,942,099	1,893,489	1,584,025	1,867,175
Total current liabilities	2,578,974	1,901,707	2,007,489	1,821,468	2,222,398
Total assets less current liabilities	1,166,862	1,104,886	1,031,486	980,708	912,443
Total non-current liabilities	123,702	115,040	119,584	132,690	147,617
Net assets	1,043,160	989,846	911,901	848,018	764,826

Notes: Figures in the summary of the consolidated results and financial position of the Company as at 31 December 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 Chun Cheng 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 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY OVERVIEW

The heating industry plays a crucial role in ensuring residents' lives and promoting economic development. With the acceleration of China's urbanization process and the improvement of people's living standards, the scale of the heating market has been continuously expanding. Centralized heating has been widely promoted due to its advantages such as fuel savings, pollution reduction, land conservation and improvement of heating quality. In recent years, China's heating industry has made remarkable progress in technology. On the one hand, new heating technologies such as under-floor heating and air-source energy heat pump have been widely applied, improving heating efficiency. On the other hand, the application of intelligent technologies has also made the heating system more energy-efficient and environmentally friendly. In addition, building energy-saving renovations and the research and development of new energy heating have also brought new development opportunities to the heating industry.

In the heating market structure, regional heating enterprises occupy an important position. The northern regions, especially in Northeast China, North China, and Northwest China, have a high dependence on centralized heating due to climatic reasons, and heating enterprises in these regions account for a large market share. Moreover, with the acceleration of the urbanization process, the heating markets in emerging cities and areas are also expanding rapidly. According to statistics from the National Bureau of Statistics, by the end of 2023, the national total heating service area increased from 8.781 billion square metres in 2018 to 11.549 billion square metres in 2023, representing a compound annual growth rate of 4.67%, and the pipes length of centralized heating grew from 371,100 kilometres in 2018 to 523,700 kilometres in 2023, representing a compound annual growth rate of 5.91%.

To promote the development of the heating industry, the State has introduced a series of policies, such as the Development Plan for the Heating Industry (《供熱行業發展規劃》) and the Administrative Measures for Heating Pricing (《供熱價格管理辦法》), which clarify the development direction, industry standards, and pricing principles for the heating industry, thereby creating a favorable environment for its growth. Regarding environmental protection, the State places high importance on energy conservation and emission reduction, setting higher requirements for the heating industry to facilitate its green transformation. In this regard, the State Council and the National Development and Reform Commission have successively issued documents including the 2024-2025 Action Plan for Energy Conservation and Carbon Reduction (《2024-2025年節能降碳行動方案》) and the Opinions on Strengthening the Clean and Efficient Utilization of Coal (《關於加強煤炭清潔高效利用的意見》). Additionally, the Standing Committee of the National People's Congress has enacted the Energy Law of the People's Republic of China, which emphasizes green and low-carbon energy development, increases support for clean energy, and prioritizes clean heating in northern regions during winter to achieve multiple benefits in energy conservation and carbon reduction. Furthermore, the State actively promotes the reform of the heating market by encouraging social capital to participate in the construction and operation of the heating industry. Through tax incentives and financial subsidies, heating enterprises are motivated to pursue technological innovation and equipment upgrades, thereby enhancing the overall level of the industry. These policies lay a solid foundation for the sustainable development of the heating industry.



MANAGEMENT DISCUSSION AND ANALYSIS

Smart heating, as a product of the deep integration of the heating industry and modern information technology, leverages advanced technologies such as the Internet of Things, big data, cloud computing, and artificial intelligence to achieve intelligent management and optimization of heating systems, improve energy efficiency, and reduce energy consumption and emissions. In the future, with the deepening application of artificial intelligence, big data, cloud computing, and industrial internet in the heating industry, intelligent and automated technologies will become more prevalent. Digital and intelligent technologies will facilitate the automatic adjustment and optimization of heating systems, significantly improving heating efficiency and user comfort.

II. BUSINESS REVIEW

In 2024, amidst a market environment characterized by both challenges and opportunities, the Group upheld its mission of “fulfilling the responsibilities of a state-owned enterprise and sincerely serving society (踐行國企責任、真誠服務社會)”. The Group continued to optimize its heat supply services and improve operational efficiency, achieving robust development while fulfilling its social responsibilities. This accomplishment strengthened the Group’s core competitiveness and sustainable development capabilities, enabling it to successfully meet its key annual targets. During the Reporting Period, the Group recorded a total operating revenue of RMB1,805.70 million and a total profit of RMB138.32 million. As of 31 December 2024, the Group’s total assets amounted to RMB3,745.84 million, and the owners’ equity attributable to shareholders of the listed company was RMB 1,043.16 million.

(1) Heat Supply Business

For the year ended 31 December 2024, the Group’s heat supply area was 69.762 million sq.m., representing an increase of 2.645 million sq.m. or 3.94% from 67.117 million sq.m. in 2023, and the Group had 572,058 heat supply customers, representing an increase of 20,500 users or 3.72% from 551,558 in 2023. For the year ended 31 December 2024, the Group’s revenue from heat supply business was RMB1,615.31 million, representing an increase of RMB44.59 million or 2.84% from RMB1,570.73 million in 2023.

1. Customers

Customers of the Group’s 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 the number of, and revenue contribution by, residential and non-residential users of the Group for the year ended 31 December 2024.



MANAGEMENT DISCUSSION AND ANALYSIS

	As at/for the year ended 31 December			
	2024		2023	
	Number of customers	% of revenue from heat supply	Number of customers	% of revenue from heat supply
Residential users ⁽¹⁾	505,589	88.38%	493,271	89.43%
Non-residential users ⁽²⁾	66,469	11.62%	58,287	10.57%
Total	572,058	100%	551,558	100%

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, the government has been gradually launching projects in pilot cities for clean heating in the north, and the Group has 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 four thermal power plants, the Group also purchased heat from peak-shaving boilers of Changre Group, its controlling shareholder, for heating. In addition, Yatai Heating and Xixing Energy, and Chunmeng Biomass provided heat supply through coal-fired boilers and biomass fuels, respectively.

For the year ended 31 December 2024, the total heat procurement by the Group from local cogeneration plants and its controlling shareholder, Changre Group, amounted to 20.66 million GJ and 1.38 million GJ respectively, with a total heat procurement of 22.04 million GJ, among which 19.9 million GJ of heat was used for the Group's heat supply and production purposes.

3. Heat transmission

For the year ended 31 December 2024, approximately 2.14 million GJ of heat procurement quota obtained from the cogeneration plants and Changre Group, the controlling shareholder, by the Group was transferred to four other heat service providers. The Group received a total heat transmission fee of RMB12.02 million from such four heat service providers.



MANAGEMENT DISCUSSION AND ANALYSIS

	As at/for the year ended 31 December	
	2024	2023
Estimated heat procurement quota (GJ) ⁽¹⁾	22,900,000	23,380,000
Heat procurement quota transferred (GJ) ⁽²⁾	2,135,587	2,263,513
Actual consumption (GJ) ⁽³⁾	19,900,340	20,694,183
Total heat procured (GJ) ⁽⁴⁾	22,035,927	22,957,696
Utilization rate ⁽⁵⁾	86.90%	88.51%

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, the Group transferred certain portion of procured heat to four other heat service providers. The Group charged heat transmission fees accordingly.
- (3) Actual consumption of heat procured by the Group 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 the four local cogeneration plants and the controlling shareholder, Changre Group, and the Group.
- (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 the Group.

- (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. The Group mainly provides services including engineering construction, engineering maintenance, design services and so on for heat supply companies or end-users. These services mainly cover northeast China. For the year ended 31 December 2024, revenue generated from the Group's construction, maintenance and design services and others amounted to RMB190.39 million, representing an increase of RMB66.70 million, or 53.92%, from RMB123.69 million in 2023.



MANAGEMENT DISCUSSION AND ANALYSIS

The engineering construction business undertook a total of 227 projects during the year, of which 222 were completed, including the Dual-Carbon Industrial Guidance Zone (Zone 3) Park Luminggu Project Thermal Facilities Supporting Project Pressure — Isolating Station (雙碳產業引領區(三區)園區鹿鳴穀項目熱力配套工程隔壓站), Changchun Jingyue High-tech Industrial Development Zone 2023 Luminggu Infrastructure Supporting Project Lot B1 Heat Station and Supporting Secondary Network Project (長春淨月高新技術產業開發區2023年鹿鳴穀基礎設施配套工程B1地塊熱力站及配套二次網工程). During the year, the Group strengthened on-site construction organization and safety management of projects, and improved construction efficiency while consolidating safety responsibilities at all levels to ensure high quality and stable progress of the projects.

The engineering maintenance business undertook and completed a total of 37 projects during the year, including the heat supply rearrangement project for the plot south of Yannian Road in the Changchun Yitong River Basin Shantytown Renovation and Comprehensive Land Improvement Project (長春市伊通河流域棚戶區改造及土地綜合整治項目), as well as the heat pipeline rearrangement project for the Changchun City's Five Major Sewage Treatment Systems — Caizhi Street Sewage Upgrading Project (長春市五大污水處理系統—彩織街污水提升工程). To ensure the smooth progress of the project, the Group has strengthened the construction safety and production management in strict compliance with the construction planning. The Group also implemented safety measures to ensure that the project quality is up to standard.

The design services business undertook a total of 94 projects during the year, of which 71 were completed, including key projects such as the heat network construction project in the western region in Yanji City and the heating renovation project in the Evergrande Yushui manor subdivision. During the year, the thermal engineering design business developed steadily with remarkable technological innovation achievements. There were 3 new scientific research projects of industry-university-research cooperation, and 2 invention patents and 1 utility model patent were authorized.

(3) Safety Management

In 2024, the Group resolutely implemented all major decisions and deployments from the government at all levels with regard to safety production. Specifically, the Group firmly established the safety development concept and strengthened the effective implementation of the responsibility of “three controls and three musts”. In strict adherence to the rules and regulations of production safety, the Group increased its efforts on safety management and consolidated the initiatives of production safety. Through continuous construction of the dual prevention mechanism and production safety standardization, the Group improved the safety assessment rules and regulations and emergency plans for safety programs. In addition, the Group organized safety education training and emergency drills, and strengthened the supervision and control of production safety and the



MANAGEMENT DISCUSSION AND ANALYSIS

investigation and management of hidden dangers, which provided a strong safeguard for the safe and stable production and operation of the enterprise and ensured the successful completion of the annual safety management objectives. During the Reporting Period, the Group did not have any major safety accidents.

(4) Technology and R&D

In order to improve the efficiency of heat energy utilization, the Group has developed the "Heat Exchanger Energy Efficiency Evaluation System", which is now officially put into operation. The system replaces manual experience with intelligent analysis to scientifically guide the production operation and improve the economic efficiency of the enterprise. The system also plays an important role in digitalization and safe production by significantly improving scientificity, security and precise control of the system operation.

The Group has developed the "Equipment Ledger Management System" (設備台賬管理系統) based on the actual needs of equipment management, which had been put into use for testing. Currently, some functions of the PC and mobile terminals are being optimized in the process of use, and it is expected to be fully optimized and put into use in the first half of 2025. The system will further enhance the digital management level of the Group's equipment assets.

During the Reporting Period, the Group obtained a total of 5 utility model patents issued by the China National Intellectual Property Administration.

(5) Honors and Awards

In August 2024, the Group was awarded the "2024 Energy Efficiency Leader in China's Heating Industry" and "Outstanding Organization Award of the Seventh China Heating Academic Conference" from China Downtown Heating Association.



MANAGEMENT DISCUSSION AND ANALYSIS

III. FINANCIAL POSITION AND OPERATING RESULTS

(1) Revenue

The Group's revenue increased by 6.57% to RMB1,805.70 million in 2024 as compared with RMB1,694.42 million in 2023, which was mainly

attributed to (i) an increase in revenue from business of provision and distribution of heat of RMB44.59 million as a result of the increase in heat service area; and (ii) the revenue from the Group's engineering construction business increased by RMB66.70 million due to undertaking of more projects during the year.

	2024 RMB'000	2023 RMB'000	Change in percentage
Heat supply, of which:			
Provision and distribution of heat	1,519,138	1,482,234	2.49%
Pipeline connection fee	84,157	69,781	20.60%
Heat transmission	12,020	18,710	(35.76)%
Sub-total	1,615,315	1,570,725	2.84%
Construction, maintenance and design services and others, of which:			
Engineering construction	50,981	49,699	2.58%
Engineering maintenance	40,257	23,642	70.28%
Design services	8,177	7,869	3.91%
Others	90,970	42,481	114.14%
Subtotal	190,385	123,692	53.92%
Total	1,805,700	1,694,417	6.57%

(2) Other Income and Other Net Gains

The Group's other income and other net gains decreased by 29.76% to RMB21.44 million in 2024 as compared with RMB30.52 million in the same period of 2023, mainly due to the decrease in interest income and government grant.

(3) Operating Costs

The Group's operating costs increased by 8.40% to RMB1,548.55 million in 2024 as compared with RMB1,428.53 million in 2023.



MANAGEMENT DISCUSSION AND ANALYSIS

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

	2024 RMB'000	2023 RMB'000	Change in percentage
Operating costs by business segment			
Heat supply	1,383,688	1,333,808	3.74%
Construction, maintenance, design and others	164,857	94,718	74.05%
Total	1,548,545	1,428,526	8.40%

Heat supply costs

Operating costs for heat supply business primarily consist 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:

	2024 RMB'000	2023 RMB'000	Change in percentage
Operating costs for heat supply			
Heat procurement costs	757,278	750,564	0.89%
Coal	51,772	43,594	18.76%
Maintenance and repair	131,150	121,971	7.53%
Labor	154,119	146,363	5.30%
Depreciation and amortization	130,686	127,948	2.14%
Utility	76,444	72,673	5.19%
Input VAT transferred out	54,263	53,903	0.67%
Others	27,976	16,793	66.59%
Total	1,383,688	1,333,808	3.74%

In 2024, the Group's heat procurement costs increased by 0.89% to RMB757.28 million as compared with RMB750.56 million in 2023, primarily due to the slight increase in the heat procurement costs resulting from the increase in heat service area in 2024.



MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, the Group's coal cost increased by 18.76% to RMB51.77 million as compared with RMB43.59 million in 2023, primarily due to the implementation of coal-fired boilers for peak-shaving heat supply by the Yatai Heating Regal Division during the year, which resulted in higher coal consumption.

In 2024, the Group's maintenance and repair costs increased by 7.53% to RMB131.15 million as compared with RMB121.97 million in 2023, primarily due to more external maintenance projects during the current period.

In 2024, the Group's labor cost increased by 5.30% to RMB154.12 million as compared with RMB146.36 million in 2023, primarily due to the overall rise in salary.

In 2024, the Group's depreciation and amortization increased by 2.14% to RMB130.69 million as compared with RMB127.95 million in 2023, primarily due to the increase in investment in fixed assets.

In 2024, the Group's utility cost amounted to RMB76.44 million as compared with RMB72.67 million in 2023. Utility cost in 2024 increased slightly as compared with 2023.

In 2024, the Group's input VAT transferred out increased by 0.67% to RMB54.26 million as compared with RMB53.90 million in 2023, which remained largely stable as compared with 2023.

In 2024, the Group's other cost increased by 66.59% to RMB27.98 million as compared with RMB16.79 million in 2023, primarily due to the consumption of heating materials and the increase in office expenses.

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 2024, the operating costs for construction, maintenance, design and others increased by 74.05% to RMB164.86 million as compared with RMB94.72 million in 2023. The increase in cost was mainly due to the increase in cost expenditure as a result of the increase in engineering projects undertaken.

(4) Gross Profit and Gross Profit Margin

In 2024, the Group's gross profit decreased by 3.29% to RMB257.16 million as compared with RMB265.89 million in 2023.

In 2024, the Group's gross profit margin decreased by 1.45% to 14.24% as compared with 15.69% in 2023. This was mainly due to the increase in maintenance and repair costs, the increase in the consumption of heating materials, and the settlement of the Digital Intelligence Integration Project for Heat Supply.

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

	2024 RMB'000	2023 RMB'000
Operating income	1,805,700	1,694,417
Operating costs	1,548,545	1,428,526
Gross profit	257,155	265,891
Gross profit margin	14.24%	15.69%



MANAGEMENT DISCUSSION AND ANALYSIS

(5) Administrative expenses

In 2024, the Group's administrative expenses increased by 8.36% to RMB108.94 million as compared with RMB100.54 million in 2023, which was mainly due to the recognition of listing firm service fee related to the A-share listing during the current period.

(6) Finance costs

In 2024, the Group's finance costs increased by RMB0.55 million to RMB-3.92 million as compared with RMB-4.47 million in 2023, which was mainly due to the decrease in interest income during the current period.

(7) Income Tax Expenses

In 2024, the Group's income tax expenses decreased by 19.14% to RMB38.42 million as compared with RMB47.52 million in 2023, which was mainly due to the increase in deferred income tax expenses provided for, resulting from the increase in deductible temporary difference during the current period.

(8) Profit for the Year

In 2024, the Group's profit for the year decreased by 17.41% to RMB99.90 million as compared with RMB120.96 million in 2023, which was mainly due to the increase in deductible temporary difference during the current period.

(9) Profit Attributable to Owners of the Company

In 2024, profit attributable to owners of the Company decreased by 17.41% to RMB99.90 million as compared with RMB120.96 million in 2023. The decrease in profit attributable to owners of the Company was in line with the reason for the decrease in profit for the year.

(10) Liquidity and Capital Resources

The Group's cash and cash equivalents increased by 30.43% to RMB1,449.17 million as at 31 December 2024, as compared with the balance of RMB1,111.04 million as at 31 December 2023, which was primarily due to (i) the increase in net cash flow from operating activities of RMB36.02 million in 2024; and (ii) the increase in consolidated net cash flow from financing activities of RMB564.50 million in 2024. The main sources of the Company's operating capital were from (i) unutilised bank financing facilities of RMB395.85 million as at 31 December 2024; and (ii) its own funds accumulated from operating activities, as at 31 December 2024, cash and cash equivalents amounted to approximately RMB1,449.17 million. As at 31 December 2024, the Group's bank borrowings amounted to RMB615.55 million.

(11) Capital Expenditure

In 2024, the Group's capital expenditure increased by 326.78% to RMB124.45 million as compared with RMB29.16 million in 2023. The increase in capital expenditure was mainly attributable to increase in the amount of fixed assets purchased.

(12) Capital Structure

As of 31 December 2024, the equity attributable to owners of the Group amounted to RMB1,043.16 million, which represents an increase of RMB53.31 million as compared to 31 December 2023, mainly due to the profit for the year.

Gearing ratio is the percentage of total interest-bearing liabilities (including interest-bearing bank and other borrowings and lease liabilities), net of cash and cash equivalents, to total equity at the end of each financial period. As at 31 December 2024, the Group's cash and cash equivalents exceeded the Group's total interest-bearing liabilities.



MANAGEMENT DISCUSSION AND ANALYSIS

IV. RISK FACTORS AND RISK MANAGEMENT

(1) Strategic risks

Policy adjustments by the government for the heating industry may affect the business strategies and cost structures of enterprises. Meanwhile, the tightening of environmental protection, security and other laws and regulations may increase compliance costs for enterprises.

In 2021, the General Office of the State Council stipulated the cancellation of the connection fee, construction fee of centralized pipeline network, grid connection support fee and other similar fees charged by urban centralized heating enterprises in the northern heating regions from the customers. As such, there is a risk of a gradual decline in the Group's future revenue from construction fees of pipeline network.

The Group will enhance its competitiveness by keeping abreast of and grasping changes in relevant policies and regulations so as to adjust its business strategies in a timely manner; and by improving management level, controlling operating costs and optimizing user services.

(2) Financial risk

The operating costs of heating enterprises depend largely on energy prices. Fluctuations in energy prices may have a direct impact on an enterprise's cost control and profitability. When energy prices rise, enterprises need to find ways to control costs, while energy prices fall, they need to consider how to stabilize profits.

The Group will continue to adopt diversified energy supply approach to mitigate the impact on price fluctuations of a single energy source.

(3) Market risk

Fluctuations in demand in the heating market may lead to risks such as a decline in sales. Meanwhile, strategic adjustments by competitors may affect the market share and profitability of enterprises.

The Group is entitled to tax incentives in respect of value-added tax and enterprise income tax, etc.. If the said tax incentives change in the future and the Group is no longer entitled to the relevant tax incentives, the Group's financial situation may be adversely affected.

The Group will closely monitor market dynamics, including energy prices, the situation of competitors, changes in customer demand, etc., and adjust its business strategies in a timely manner; and will also strictly comply with the relevant tax policies, improve its financial systems and formulate scientific financial management plans.

(4) Operational Risks

With the continuous development of technology, new technologies and new processes are emerging constantly in the heating industry. If heating enterprises fail to keep up with and update technologies in a timely manner, they may face problems such as technological backwardness, equipment aging, and high energy consumption. In addition, improper maintenance or aging of heating equipment may also lead to serious consequences such as explosions and leaks, thus affecting the competitiveness and profitability of the enterprise.

The Group will continuously maintain and overhaul its equipment to ensure that it operates in an optimal state. At the same time, the Group will enhance its intelligent management capabilities and increase the efficiency of the use of the intelligent heating network system to improve energy utilization.



MANAGEMENT DISCUSSION AND ANALYSIS

V. OTHER SIGNIFICANT EVENTS

(1) Significant Investments

The Group did not have any significant investments for the year ended 31 December 2024.

(2) Material Acquisitions and Disposals

On 19 March 2024, Yatai Heating, a wholly-owned subsidiary of the Company, and Changre Group, a controlling shareholder of the Company, entered into an assets transfer agreement (the “**Assets Transfer Agreement**”), pursuant to which Yatai Heating has agreed to purchase, and Changre Group has agreed to sell, certain buildings, coal-fired boilers, land use rights and ancillary equipment used by Changre Group for heat production purposes (the “**Assets**”) for the consideration of RMB38,950,960.00 in accordance with the terms and conditions of the Assets Transfer Agreement. The parties to the Assets Transfer Agreement has agreed that all interests, rights and obligations attached to the Assets shall be transferred from Changre Group to Yatai Heating with effect from 20 March 2024. For further details in relation to the aforesaid acquisition, please refer to the Company’s announcement dated 19 March 2024.

The Company and Changre Group, a controlling shareholder of the Company, entered into an assets transfer agreement (the “**Second Assets Transfer Agreement**”), pursuant to which the Company has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell, certain buildings, coal-fired boilers and ancillary equipment used by Changre Group for heat production purposes for the consideration of RMB82,886,461.00 in accordance with the terms and conditions of the Second Assets Transfer Agreement. The aforesaid assets transfer was completed on 15 January 2025. For further details in relation to the aforesaid acquisition, please refer to the Company’s announcements dated 1 November 2024 and 15 January 2025.

Save as disclosed above, the Group did not have any material acquisitions nor disposals for the year ended 31 December 2024.

(3) Capital Commitment and Contingent Liabilities

The Group did not have any material capital commitment or contingent liabilities for the year ended 31 December 2024.

(4) Charge on Assets

There was no material charge on the Group’s assets for the year ended 31 December 2024.

(5) Employees and Remuneration Policies

As at 31 December 2024, the Group had a total of 1,595 employees, all of whom are based in the PRC. In 2024, 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 and orderly conducted staff mobility strategies such as rotation and position competition so as to promote the development of the Group and appreciation of human capital.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

VI. PROSPECTS AND OUTLOOK

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

(1) Development of operating objectives

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

(2) Technology innovation and development

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

(3) Production and operation safety

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

(4) Corporate governance

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



WORK REPORT OF THE DIRECTORS

The Board of the Company presents the Group's annual report for the year 2024 (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 2024 (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 2 and "Corporate Information" section on pages 231 to 232 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 2024 are set out in the combined income statement on pages 69 to 71 of this Annual Report. The financial position of the Group as at 31 December 2024 is set out in the combined statement of financial position on pages 64 to 68 of this Annual Report. The consolidated cash flows of the Group for the year ended 31 December 2024 are set out in the combined statement of cash flows on pages 72 to 74 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 4 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 page 14 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 35 of this report and Note XV 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 on 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 system 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 Group.

SHARE CAPITAL

As at 31 December 2024, 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 2024, 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 (including sale of treasury shares) during the year ended 31 December 2024. As at 31 December 2024, the Company did not hold any treasury shares.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS

For the year ended 31 December 2024, 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 2024.

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2024, 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.

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 2024.

CHARGES ON ASSETS

For the year ended 31 December 2024, there were no charges on the Group's assets.



WORK REPORT OF THE DIRECTORS

LOAN ARRANGEMENTS GRANTED TO ENTITIES

Reference is made to the announcement of the Company dated 1 November 2024, in relation to the Company, as lender, and Changre Group, a controlling shareholder of the Company, as borrower, entered into a loan agreement date 1 November 2024 (the “**Loan Agreement**”), pursuant to which the Company has agreed to advance a loan in an amount of not more than RMB300 million to Changre Group from 24 December 2024 up to 31 December 2029 (both days inclusive) at the interest rate of 4.5% per annum. For the year ended 31 December 2024, Changre Group did not draw down any loan pursuant to the Loan Agreement. As at the date of this Annual Report, the total amount advanced by the Company to Changre Group in accordance with the Loan Agreement amounted to RMB206 million.

Save as disclosed above, for the year ended 31 December 2024, 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 2024, 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.

SHARE OPTION SCHEME

For the year ended 31 December 2024, the Company did not have 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 considering relevant factors.

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 2024 AGM to be held on 16 May 2025, for their consideration and approval of the payment of a final dividend of RMB0.065 per Share (tax inclusive) (2023: RMB0.09 per Share) for the year ended 31 December 2024 (the “**2024 Final Dividend**”) payable to the Shareholders of the Company, whose names appear on the register of members of the Company on 4 June 2025, in an aggregate amount of approximately RMB30.34 million (2023: approximately RMB42.00 million). The 2024 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 2024 Final Dividend are expected to be paid on 18 July 2025.

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 2024 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 4 June 2025.

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 Nonresident 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 4 June 2025 (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 Wednesday, 28 May 2025. 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 Shareholder has waived or agreed to waive any dividend for the year ended 31 December 2024.

ANNUAL GENERAL MEETING

The annual general meeting will be held on Friday, 16 May 2025. A notice convening the AGM will be issued and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

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 2024 Final Dividend, the register of members of the Company will be closed from Tuesday, 13 May 2025 to Friday, 16 May 2025 (both days inclusive) and from Thursday, 29 May 2025 to Wednesday, 4 June 2025 (both days inclusive) respectively, during which period no transfer of H Shares will be registered.

The record date for determining the entitlement of the Shareholders to attend and vote at the AGM will be Friday, 16 May 2025. 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, 12 May 2025.

The record date for determining the entitlement of the Shareholders to the proposed 2024 Final Dividend will be Wednesday, 4 June 2025. In order to be entitled to the proposed 2024 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, 28 May 2025.



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 8 in Note V 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 33 in Note V to the Financial Statements of this Annual Report and in the combined statement of changes in equity on pages 75 to 76 of this Annual Report, respectively.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by means of their holding of the Shares.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution amounted to approximately RMB352.91 million (as at 31 December 2023: RMB335.82 million).

DONATIONS

For the year ended 31 December 2024, the Group has donated a total of RMB0.00 (2023: RMB nil).

BANK BORROWINGS AND OTHER BORROWINGS

As at 31 December 2024, the bank borrowings and other borrowings of the Group amounted to RMB615,550,000.00 (as at 31 December 2023: 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 2024 and as at the date of this report is illustrated below.

Name	Position in the Company	Date of appointment
Mr. SONG Chi	Non-executive Director and Chairman of the Board	31 May 2024
Mr. SUN Huiyong	Non-executive Director and Chairman of the Board	29 March 2023 (resignation effective from 21 March 2024)
Mr. YANG Zhongshi	Executive Director and Vice Chairman of the Board	31 May 2024 (re-designation as non-executive Director and ceased to be the vice chairman of the Board effective from 28 March 2025)
	General Manager	31 May 2024 (resignation effective from 28 March 2025)
	Non-executive Director	28 March 2025
Mr. SHI Mingjun	Executive Director	31 May 2024 (resignation effective from 28 March 2025)
	Deputy general manager	23 July 2018 (resignation effective from 28 March 2025)
Mr. XU Chungang	Executive Director	31 May 2024
	Deputy general manager	23 July 2018
	Financial Controller	26 March 2019
Mr. LI Yeji	Executive Director	31 May 2024 (resignation effective from 16 April 2025)
	Director of Production Department	15 November 2022
Mr. WANG Yuguo	Independent Non-executive Director	28 May 2021 (resignation effective from 31 May 2024)
Mr. FU Yachen	Independent Non-executive Director	31 May 2024
Mr. POON Pok Man	Independent Non-executive Director	31 May 2024
Ms. ZHANG Yan	Independent Non-executive Director	31 May 2024
Mr. QIU Jianhua	Chairman of the Supervisory Committee	31 May 2024
Ms. ZHANG Wei	Supervisor	31 May 2024
Ms. LI Xiaoling	Employee representative Supervisor	31 May 2024
	Director of the Office of the Board	14 August 2024
Ms. LIU Yanan	Deputy general manager	1 September 2022
Mr. WAN Tao	Board Secretary	30 May 2018
	Joint company secretary	20 May 2019

Each of Mr. Song Chi and Ms. Zhang Yan obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 29 May 2024. Each of Mr. Song Chi and Ms. Zhang Yan has confirmed that he/she understood his/her obligations as a director of a listed issuer.

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 are independent of the Company.



WORK REPORT OF THE DIRECTORS

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of Directors, Supervisors and senior management of the Company are set out on pages 50 to 57 of this Annual Report.

CHANGE IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Re-Designation of Director

The Board announced that Mr. YANG Zhongshi (“**Mr. YANG**”) has resigned as the vice chairman of the Board and the general manager of the Company with effect from 28 March 2025 due to work adjustments.

The Board further announced that with effect from 28 March 2025, Mr. YANG has been re-designated from an executive Director to a non-executive Director.

Resignation of Executive Directors

The Board further announced that Mr. SHI Mingjun (“**Mr. SHI**”) has tendered his resignation from the position as an executive Director and deputy general manager of the Company with effect from 28 March 2025 due to work adjustments. Upon Mr. SHI’s resignation as an executive Director, Mr. SHI ceased to be a member of the strategy committee of the Board (the “**Strategy Committee**”) with effect from 28 March 2025.

The Board further announced that Mr. LI Yeji has tendered his resignation from the position as an executive Director of the Company with effect from 16 April 2025 due to work adjustments.

Resignation of Independent Non-Executive Directors

Pursuant to Articles 107 and 114 of the Company’s articles of association, the term of office of independent non-executive Directors of the Company shall not exceed six years.

Each of Mr. FU Yachen (“**Mr. FU**”) and Mr. Poon Pok Man (“**Mr. POON**”) was appointed as an independent non-executive Director on 19 August 2019. In view of the six-year term of service period for independent non-executive Directors, on 28 March 2025, each of Mr. FU and Mr. POON has tendered his resignation as an independent non-executive Director with effect from the close of the AGM. Following the resignation of Mr. FU and Mr. POON becoming effective, (a) Mr. FU will cease to be the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee; and (b) Mr. POON will cease to be the chairman of the Audit Committee and a member of the Remuneration Committee. The Board will make necessary changes to the composition of the Board committees in due course and further announcement will be made by the Company as and when appropriate in this regard.

Appointment of General Manager and Proposed Appointment of an Executive Director

Mr. ZHANG Liming (“**Mr. ZHANG**”) has been appointed as the general manager of the Company with effect from 16 April 2025. In addition, the Board proposed to appoint Mr. ZHANG as an executive Director. The proposed appointment as an executive Director will be subject to the approval by the Shareholders at the AGM. Mr. ZHANG’s appointment as an executive Director will take effect from the date of approval by the Shareholders at the AGM.

Proposed Appointment of a Non-executive Director

The Board proposed to appoint Mr. SHI Mingjun (“**Mr. SHI**”) as a non-executive Director. The proposed appointment will be subject to the approval by the Shareholders at the AGM. Mr. SHI’s appointment will take effect from the date of approval by the Shareholders at the AGM.



WORK REPORT OF THE DIRECTORS

Proposed Appointment of Independent Non-Executive Directors

The Board proposed to appoint Ms. DU Jie (“**Ms. DU**”) and Mr. CHAN Sing Fai (“**Mr. CHAN**”) as independent non-executive Directors. The proposed appointments will be subject to the approval by the Shareholders at the AGM. Ms. DU and Mr. CHAN’s appointments will take effect from the date of approval by the Shareholders at the AGM.

For details of the aforesaid change of Directors, please refer to the announcements of the Company dated 28 March 2025 and 16 April 2025.

After making specific enquiry by the Company and confirmed by the Directors and the Supervisors, save as disclosed in this annual report, there is no change to any information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of interim report of 2024 and up to the date of this annual report.

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 third session term of the Board/should last for three years (not exceeding three 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, performance bonuses and retirement scheme contributions. The details of the remuneration of the Directors and Supervisors of the Company are set out in Note XII(4) Remuneration of Key Management to the Financial Statements.

The emoluments paid to our Directors and Supervisors of the Company 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 was 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 2024, the emoluments of the senior managements of the Company (other than executive Directors) are set out as below:

Remuneration (RMB)	Number of individual
Nil to 1,000,000	2

The details of Directors and the highest paid individual of the Company are set out in Note XII(4) Remuneration of Key Management to the Financial Statements.



WORK REPORT OF THE DIRECTORS

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

After the end of 2024 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year 2024, 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. SONG Chi ("Mr. SONG") <i>(appointed with effect from 31 May 2024)</i>	Non-executive Director and Chairman of the Board	Chairman of the board of Changre Group (Note 1)
Mr. SUN Huiyong ("Mr. SUN") <i>(resigned on 21 March 2024)</i>	Non-executive Director and Chairman of the Board	Chairman of the board of Changre Group (Note 2)
Mr. SHI Mingjun ("Mr. SHI") <i>(resigned on 28 March 2025)</i>	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 3)

Notes:

- (1) Mr. SONG Chi has been the chairman of the board of Changre Group since 22 April 2024.
- (2) Mr. SUN Huiyong has been the chairman of the board of Changre Group from 30 January 2023 to 20 March 2024.
- (3) Mr. SHI Mingjun has been a non-executive director of Datang JV from 9 June 2017 to 19 July 2024.

Although Mr. SUN has been the chairman of the board of Changre Group which is a controlling shareholder of the Company, and Mr. SONG has been the chairman of the board of Changre Group which is a controlling shareholder of the Company during the Reporting Period, Mr. SUN and Mr. SONG, as non-executive Directors of the Company, are not involved in the day-to-day management of the Company. Mr. SHI 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. SUN, Mr. SONG 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, Changre Group 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.



WORK REPORT OF THE DIRECTORS

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

As at 31 December 2024, 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.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN THE SHARES

As at 31 December 2024, 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)
Changre Group	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 2024.
- Based on the total issued share capital of the Company of 466,700,000 Shares as at 31 December 2024.



WORK REPORT OF THE DIRECTORS

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 2024.

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.

CONNECTED TRANSACTIONS

The First Assets Transfer Agreement

Reference is made to the Company's announcement dated 19 March 2024 in relation to Yatai Heating, a wholly-owned subsidiary of the Company, and Changre Group, a controlling shareholder of the Company, entered into an assets transfer agreement (the **"First Assets Transfer Agreement"**), pursuant to which Yatai Heating has agreed to purchase, and Changre Group has agreed to sell, certain buildings, coal-fired boilers, land use rights and ancillary equipment used by Changre Group for heat production purposes (the **"Assets"**) for the consideration of RMB38,950,960.00 in accordance with the terms and conditions of the First Assets Transfer Agreement (the **"Proposed Acquisition"**). The parties to the Assets Transfer Agreement agree that all interests, rights and obligations attached to the Assets shall be transferred from Changre Group to Yatai Heating with effect from 20 March 2024.

Changre Group is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company and thus a connected person of the Company. As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition are over 0.1% but all of them are less than 5%, the Proposed Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Second Assets Transfer Agreement

Reference is made to the Company's announcement dated 1 November 2024. The Company and Changre Group, a controlling shareholder of the Company, entered into the second assets transfer agreement (the **"Second Assets Transfer Agreement"**), pursuant to which the Company has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell, certain structures, coal-fired boilers and ancillary equipment used by Changre Group for heat production purposes for the consideration of RMB82,886,461.00 in accordance with the terms and conditions of the Second Assets Transfer Agreement (the **"Second Proposed Acquisition"**).

Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the First Assets Transfer Agreement and the Second Assets Transfer Agreement shall be aggregated because both agreements are entered into with Changre Group and both transactions involve the acquisition of assets which were used by Changre Group for heat production purposes.

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



WORK REPORT OF THE DIRECTORS

Given that Changre Group is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company as at the date of the Second Assets Transfer Agreement, Changre Group is a connected person of the Company and the Second Proposed Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Second Proposed Acquisition (on a standalone basis or when aggregated with the transactions contemplated under the First Assets Transfer Agreement) exceed(s) 5%, the Second Proposed Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Conditions Precedent

Completion is conditional upon the following conditions having been fulfilled:

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

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

Completion

The Second Proposed Acquisition under the Second Assets Transfer Agreement has been completed on 15 January 2025.

With effect from the completion date, all interests, rights and obligations attached to the assets have been transferred from Changre Group to the Company.

The Provision of the Loan

Reference is made to the Company's announcement dated 1 November 2024. The Company, as lender, and Changre Group, a controlling shareholder of the Company, as borrower, entered into the Loan Agreement, pursuant to which the Company has agreed to advance the Loan in an amount of not more than RMB300 million (the "Loan") to Changre Group from the date on which the Loan Agreement has been approved by independent shareholders at the Company's extraordinary general meeting up to 31 December 2029 (both days inclusive) at the interest rate of 4.5% per annum. Interest shall be payable by Changre Group to the Company by the 15th calendar day of the month following the end of each quarter.

As the assets ratio (as defined in the Listing Rules) in respect of the Loan exceeded 8%, the Loan is subject to the announcement requirements under Rule 13.13 of the Listing Rules.

As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Loan exceeds 25%, the provision of the Loan constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements thereunder.



WORK REPORT OF THE DIRECTORS

Given that Changre Group is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company as at the date of the Loan Agreement, Changre Group is a connected person of the Company and the provision of the Loan constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As more than one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Loan exceeds 5%, the provision of the Loan is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2024, Changre Group did not draw down any loan pursuant to the Loan Agreement. As at the date of this Annual Report, the total amount advanced by the Company to Changre Group in accordance with the Loan Agreement amounted to RMB206 million.

Purchase of Coal

Reference is made to the Company's announcement dated 11 December 2024. The Company and Changre Group, a controlling shareholder of the Company, entered into a coal purchase agreement (the "**Coal Purchase Agreement**"), pursuant to which the Company has agreed to purchase, and Changre Group has agreed to sell, a total of 26,561.81 tonnes of coal at a total consideration of RMB19,287,393.5. Changre Group shall issue an invoice to the Company within 5 days upon the execution of the Coal Purchase Agreement and the Company shall settle the consideration in full upon receipt of such invoice. Changre Group shall deliver 26,561.81 tonnes of coal to the Company within 15 days after the payment of the consideration by the Company.

On 6 March 2025, the Company and Changre Group entered into a supplemental agreement to the Coal Purchase Agreement pursuant to which the parties agreed to amend the amount of coal to be purchased by the Company from Changre Group from 26,561.81 tonnes to 10,000 tonnes and accordingly, the total consideration is revised from RMB19,287,393.5 to RMB8,100,000. Please refer to the Company's announcement dated 6 March 2025 for further information.

Changre Group is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company and thus a connected person of the Company. As all applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transaction are over 0.1% but all of them are less than 5%, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, the Company did not enter into any non-exempt one-off connected transactions with the controlling shareholders and connected persons of the Company during the year ended 31 December 2024.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2024, the Company (for itself and on behalf of its subsidiaries) has entered into the following exempt and 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 XII to the Financial Statements of this Annual Report.

Pipes Supply Framework Agreement

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



WORK REPORT OF THE DIRECTORS

Changre Group, the controlling shareholder of the Company, holds 35% equity interest in Jilin Province New Model Pipes Co., Ltd., therefore, Jilin Province New Model Pipes Co., Ltd. is a connected person of the Company. The Company (for itself and on behalf of its subsidiaries) and Jilin Province New Model Pipes Co., Ltd. entered into the Pipes Supply Framework Agreement on 11 October 2023 for a term from 1 January 2024 to 31 December 2026, pursuant to which Jilin 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 2024, the annual cap for total fees paid by the Group to Jilin Province New Model Pipes Co., Ltd. in respect of the transactions contemplated under the Pipes Supply Framework Agreement is RMB93.43 million. The actual transaction amount for the period from 1 January 2024 to 31 December 2024 is approximately RMB26.49 million.

Heat Procurement Framework Agreement (Procurement of Heat from Datang JV)

Changre Group, the controlling shareholder and a connected person of the Company, holds 35% equity interests in Datang JV and thus Datang JV is a connected person of the Company. The Company (for itself and on behalf of its subsidiaries) and Datang JV entered into the Heat Procurement Framework Agreement on 11 October 2023 for a term from 1 January 2024 to 31 December 2026, 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 2024, the annual cap for total fees paid by the Group to Datang JV in respect of the transactions contemplated under the Heat Procurement Framework Agreement is RMB33.95 million. The actual transaction amount for the period from 1 January 2024 to 31 December 2024 is approximately RMB28.92 million.

Construction Framework Agreement

The Company (for itself and on behalf of its subsidiaries) and Changre Group, the controlling shareholder and a connected person of the Company, entered into the Construction Framework Agreement on 11 October 2023 for a term from 1 January 2024 to 31 December 2026, pursuant to which the Group shall provide construction, maintenance and design services to Changre Group (our controlling shareholder) in accordance with the requirements prescribed by Changre Group (our controlling shareholder) and the Group's regulations. The Group would enter into separate contracts with Changre Group (our controlling shareholder) in respect of each project.

For the year ended 31 December 2024, the annual cap for total fees received by the Group from Changre Group (our controlling shareholder) in respect of the transactions contemplated under the Construction Framework Agreement is RMB125.30 million. The actual transaction amount for the period from 1 January 2024 to 31 December 2024 is approximately RMB86.99 million.

Heat Procurement Framework Agreement (Procurement of Heat from Changre Group)

The Company (for itself and on behalf of its subsidiaries) and Changre Group (for itself and on behalf of its subsidiaries other than the Group), the controlling shareholder and a connected person of the Company, entered into the Heat Procurement Framework Agreement on 11 October 2023 for a term from 1 January 2024 to 31 December 2026, pursuant to which Changre Group shall supply heat to the Group in accordance with the requirements prescribed by the Group. Changre Group would enter into separate contracts with the Group in respect of the orders for heat procurement of the Group.

For the year ended 31 December 2024, the annual cap for total fees paid by the Group to Changre Group in respect of the transactions contemplated under the Heat Procurement Framework Agreement is RMB180.40 million. The actual transaction amount for the period from 1 January 2024 to 31 December 2024 is approximately RMB70.41 million.



WORK REPORT OF THE DIRECTORS

Entrusted Management Framework Agreement

The Company and Changre Group, the controlling shareholder and a connected person of the Company, entered into the Entrusted Management Framework Agreement on 11 October 2023 for a term from 1 January 2024 to 31 December 2026, pursuant to which the Group shall have the right to operate and manage the heat supply business of the Entrusted Companies during the entrusted management period in accordance with the requirements prescribed by the controlling shareholder, Changre Group.

On 19 September 2024, the Company entered into a termination agreement with Changre Group, pursuant to which the Entrusted Management Framework Agreement shall be terminated with effect from 19 September 2024. Please refer to the announcement of the Company dated 19 September 2024 for details.

For the year ended 31 December 2024, the annual cap for total fees received by the Group from Changre Group in respect of the transactions contemplated under the Entrusted Management Framework Agreement is RMB5.15 million. The actual transaction amount for the period from 1 January 2024 to 31 December 2024 is approximately RMB2.33 million.

Tenancy Framework Agreement

The Company and Changre Group, the controlling shareholder and a connected person of the Company, entered into the Tenancy Framework Agreement on 11 October 2023 for a term from 1 January 2024 to 31 December 2026, pursuant to which Changre Group shall lease the Premises to the Group in accordance with the terms and conditions of Tenancy Framework Agreement. Changre Group would enter into tenancy agreements with the Group in respect of the tenancy arrangement for each premises.

For the year ended 31 December 2024, the annual cap for total fees paid by the Group to Changre Group in respect of the transactions contemplated under the Tenancy Framework Agreement is RMB10.00 million. The actual transaction amount for the period from 1 January 2024 to 31 December 2024 is approximately RMB3.22 million.

Related Party Transactions

Save as disclosed above, there are no other related party transactions in Note XII 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 governing connected transactions 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 of 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 2024, in terms of 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;



WORK REPORT OF THE 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
- (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, Changre Group, 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 2024, the total purchases from the five largest suppliers of the Company accounted for 71.27% of the total purchases during the year. The purchase from the largest supplier accounted for 26.48% of the total purchases during the year.

For the year ended 31 December 2024, the total sales to the five largest customers of the Company accounted for 8.42% of the total sales during the year. The sales to the largest customer accounted for 3.27% 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 Hong Kong 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 C1 to the Listing Rules throughout the Reporting Period.

As disclosed in the announcement of the Company dated March 21 2024, Mr. SUN has tendered his resignation from the position as the Chairman of the Board and a non-executive Director with effect from 21 March 2024 due to work adjustments. At the same time, Mr. SUN ceased to be a member of the audit committee (the "**Audit Committee**") and the chairman of the Strategy Committee (the "**Strategy Committee**") of the Board with effect from 21 March 2024.



WORK REPORT OF THE DIRECTORS

Following Mr. SUN's resignation, the composition of the Audit Committee and the Strategy Committee failed to meet the following requirements under: (a) Rule 3.21 of the Listing Rules and Article 3 of the terms of reference of the Audit Committee that the Audit Committee shall comprise a minimum of three members; and (b) Article 3 of the terms of reference of the Strategy Committee that the Strategy Committee shall comprise three directors. Also, following Mr. SUN's resignation, the office of the chairman of the Board becomes vacant which deviates from Code Provision C.2.1 of the Corporate Governance Code. On 31 May 2024, the Company convened an extraordinary general meeting and Mr. SONG has been elected as a non-executive Director. Following Mr. SONG's appointment as a non-executive Director, a Board meeting was held on the same day and Mr. SONG was appointed as the chairman of the Board. Mr. SONG serves as the chairman of the Strategy Committee and Ms. ZHANG Yan serves as a member of the Audit Committee with effect from 31 May 2024. Accordingly, the Company fulfils the minimum requirement prescribed under Rule 3.21 of the Listing Rules and the respective terms of reference of the Audit Committee and the Strategy Committee and re-complies with Code Provision C.2.1 of the Corporate Governance Code with effect from 31 May 2024.

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.

The Company places significant emphasis on human resources. The Company provides a fair workplace to our staff, promoting non-discrimination and diversity, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' performance. The Company administers its employees' health and safety management system and ensures the implementation of the principles adopted by 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 will see it as a good opportunity to improve our relationship with the customers when providing customer services, by addressing customers' concerns promptly in accordance with 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 2024, 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.



WORK REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's 2024 annual results and the Financial Statements for the year ended 31 December 2024 prepared in accordance with the ASBEs.

AUDITOR

On 8 July 2024, the Board proposed to appoint BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) ("**BDO**") as the auditor of the Company to fill the vacancy arising from Da Hua's retirement, which was approved by the Shareholders at the extraordinary general meeting held on 26 July 2024.

The Company has appointed BDO as the independent auditor of the Company for the year ended 31 December 2024. In view of BDO's industry knowledge, technical competence and experience, its cooperation, communication and interaction with the Audit Committee and the management of the Group, as well as its strong risk awareness and high degree of independence, the Company will propose a resolution for consideration and approval by the Shareholders at the forthcoming annual general meeting to re-appoint BDO as the auditor of the Company for the year 2025.

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 3 of this Annual Report. The financial summary does not constitute part of the audited combined financial statements of the Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD, IF ANY

Save as disclosed in this Annual Report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2024 and up to the date of this report.

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

Jilin, the PRC
28 March 2025



WORK REPORT OF THE SUPERVISORY COMMITTEE

In 2024, all members in the Supervisory Committee, in strict compliance with relevant requirements of the Company Law of the People's Republic of China, the Listing Rules and other laws, regulations, rules and regulations and normative documents, the Articles of Association, and the Rules of Procedure of the Supervisory Committee, had independently exercised their powers according to law to better safeguard the interests of the Company and all of our Shareholders, and performed its supervisory duties on the Directors and senior management of the Company to promote the standardized operation of the Company with a diligent and conscientious working attitude. 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 three meetings in 2024 to consider, among others, the connected transactions in 2023, the connected transactions in the first six months of 2024 and the implementation of regulations on connected transaction management; the audited consolidated financial statements and the annual results announcement and annual report for 2023, and the interim consolidated financial statements, interim results announcement and interim report for 2024; to consider the financial final report of the Company for 2023 and its financial budget report for 2024; 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 2024, the Supervisors were present at three general meetings and attended five Board meetings. By attending those meetings, the Supervisors timely understood production and operation, financial position and internal controls 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. INDEPENDENT OPINION AND SPECIAL EXPLANATION

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 Board of Company was able to make decisions according to the law and in strict compliance with requirements such as the Company Law of the People's Republic of China, the Articles of Association and the major decision making processes for its operation is legal and valid. The Company further completed and optimized the internal management systems and internal control mechanisms, and revised the Rules of Procedure of the Board, the Implementation and Management Measures for System Construction. 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. The Company also adopted Appendix C3 to the Listing Rules headed "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") 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 the Board 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 and Shareholders have ever been found during the execution of their duties for the Company.



WORK REPORT OF THE SUPERVISORY COMMITTEE

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 2024, the Company had sound financial systems and regulated management. The Company's 2024 Financial Statements was audited by BDO China SHU LUN PAN Certified Public Accountants who have issued the standard audit report with an unqualified opinion that the 2024 Financial Statements prepared by the Company fairly reflected the financial condition and operating results of the Company.
3. The Supervisory Committee reviewed the status of connected transactions between 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 relevant existing laws, regulations and rules, and can satisfy the requirements of effective risk control.

IV. TRAINING OF SUPERVISORS

To better perform duties as supervisors and improve the business quality and supervisory level, during the Reporting Period, Supervisors of the Company attended four training sessions, covering the development and regulation of the related party transaction system under the new Company Law, protection of investors' rights and interests, compliance operations and information disclosure of listed companies, insider dealing and risk prevention. 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.

Mr. QIU Jianhua

Chairman of the Supervisory Committee

Jilin, the PRC

28 March 2025



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 asset out in the Corporate Governance Code contained in Part 2 of Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”).

In the opinion of the Directors, during the year ended 31 December 2024 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 C3 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 2024, each of the Directors, Supervisors, and relevant employees has strictly complied with the required standards as 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 2024.

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 six members, comprising one executive Director, two non-executive Directors and three independent non-executive Directors. The Board of the Company consists of the following Directors:

Executive Directors

Mr. SHI Mingjun (史明俊) (*resigned on 28 March 2025*)

Mr. XU Chungang

Mr. LI Yeji (*resigned on 16 April 2025*)



CORPORATE GOVERNANCE REPORT

Non-executive Directors

Mr. SONG Chi (Chairman) (appointed on 31 May 2024)

Mr. YANG Zhongshi (楊忠實) (former Vice Chairman of the Board) (redesignated from executive Director on 28 March 2025)

Mr. SUN Huiyong (孫會勇) (former Chairman of the Board) (resigned on 21 March 2024)

Independent Non-executive Directors

Mr. WANG Yuguo (王玉國) (retired on 31 May 2024)

Mr. FU Yachen (付亞辰)

Mr. POON Pok Man (潘博文)

Ms. Zhang Yan (appointed on 31 May 2024)

Biographical information of the Directors are set out in "Directors, Supervisors and Senior Management" section on pages 50 to 57 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 division of responsibilities between the chairman of the Board and the general manager is defined and established in writing.

The positions of the chairman of the Board and the general manager of the Company are held separately. Prior to his resignation on 21 March 2024, Mr. SUN Huiyong was a non-executive Director and the Chairman of the Board. Mr. Song Chi was appointed as Chairman of the Board on 31 May 2024 to fill the vacancy following the resignation of Mr. SUN Huiyong. Mr. YANG Zhongshi was our general manager. Accordingly, from 21 March 2024 to 30 May 2024, 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 responsible for the formulation of our corporate strategies and directing the activities of our Board, while the general manager, Mr.

YANG, was mainly responsible for the overall management of business and operations of our Group including heat supply and heat supply related services.

Following the cessation of Mr. YANG Zhongshi as a general manager of the Company, the role of general manager of the Company became vacant which deviated from Code Provision C.2.1 of the Corporate Governance Code. With the appointment of Mr. ZHANG Liming as a general manager with effect from 16 April 2025, the Company has re-complied with the required under Code Provision C.2.1 of the Corporate Governance Code.

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended 31 December 2024 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 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.



CORPORATE GOVERNANCE REPORT

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.

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 Director 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 that the Company maintains a high standard of regulatory reporting and for maintaining a balance in the Board through practical and independent advice and judgment on corporate actions and operations, supporting the Company with their skills, expertise and background.

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 2024, the Board held five 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 2024, the Company provided five trainings for all Directors. Such training sessions cover a wide range of relevant topics including the determination of and liability for violations of laws and regulations regarding information disclosure, the development and standardization of the related-party transaction system under the new Company Law, the regulatory policies and key regulatory points for listed companies, and other legal, financial, management and 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 231 to 232 of this Annual Report.

AUDIT COMMITTEE

Following the resignation of Mr. SUN as a non-executive Director, during the period between 21 March 2024 and 30 May 2024, 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 31 May 2024, Ms. ZHANG Yan was appointed as a member of the audit committee, and accordingly, the Company has complied with 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. FU Yachen (independent non-executive Director) and Ms. ZHANG Yan (independent non-executive Director), all of whom are independent non-executive Director, 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 Reporting Period, the audit committee held four meetings and passed a total of 14 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 the implementation of the regulations governing the connected transactions, and reviewing the Company's 2023 annual financial final report and 2024 financial budget report, and reviewing the Company's 2023 annual results, 2024 interim results, financial statements and the proposed appointment of the Company's external auditor for the year 2024.

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 Directors and senior management and on employee benefit arrangements. The terms of reference of the remuneration committee is available on the Hong Kong Stock Exchange's website and the Company's website.

During the Reporting Period, the remuneration committee held two meetings and passed a total of 3 resolutions 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, as well as the proposed remuneration policy for the members of the third session of the Board of Directors and the director's service contract.

NOMINATION COMMITTEE

As at the date of this report, the nomination committee currently comprises three members, namely Ms. ZHANG Yan (chairperson and independent non-executive Director), Mr. YANG Zhongshi (non-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 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 governance. The terms of reference of the nomination committee is available on the Hong Kong Stock Exchange's website and the Company's website.

During the Reporting Period, the nomination committee held three meetings and passed a total of 7 resolutions 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 assessing the independence of the independent non-executive Directors, reviewing the leadership and contribution of the Directors the implementation of corporate governance functions and policies of the Company and the nomination of candidates to the Board of Directors for the appointment of non-executive Director.



CORPORATE GOVERNANCE REPORT

STRATEGY COMMITTEE

Following the resignation of Mr. SUN Huiyong as non-executive Director, during the period between 21 March 2024 and 30 May 2024, the strategy committee only consisted of two members which fall short of the requirement prescribed under the terms of reference of the strategy committee. On 31 May 2024, Mr. Song Chi was appointed as a member of the strategy committee, and accordingly, the Company has complied with the relevant requirements. Mr. Shi Mingjun has resigned as an executive Director and deputy general manager of the Company and ceased to be a member of the strategy committee with effect from 28 March 2025. Following the resignation of Mr. Shi, the strategy committee only consisted of two members which fall short of the requirement prescribed under the terms of reference of the strategy committee. The Board of Directors will make its best endeavours to identify appropriate candidate(s) to re-comply with the relevant requirements under the terms of reference of the strategy committee as soon as practicable.

As at the date of this report, the strategy committee currently comprises two members, namely Mr. Song Chi (chairperson and non-executive Director), and Ms. Zhang Yan (independent non-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 of Directors on major corporate affairs, major investment and financing proposals. The terms of reference of the strategy committee is available on the Hong Kong Stock Exchange's website and the Company's website.

During the Reporting Period, the strategy committee held one meeting and made recommendations to the Board on such matters. The meeting mainly focused on reviewing 2023 Environmental, Social and Governance Report.

BOARD DIVERSITY AND NOMINATION POLICY

In order to enhance the effectiveness of our Board of Directors 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 of Directors. 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. The Board of Directors is well diversified, with three independent non-executive Directors accounting for more than 1/3 of the Board of Directors, one of whom is a female Director, with experience in different industries and fields. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board of Directors satisfies our Board Diversity Policy.

The Company will continue to take steps to promote diversity at all levels of its workforce. During the Reporting Period, the male-to-female ratio of the Company's total employees was 3.75:1. The Company attaches great importance to gender diversity among its employees. In terms of promotion, salary and benefits, and employee care, all employees enjoy equal opportunities for employment, training, and career development, ensuring that gender diversity plays a positive role in promoting the Company's business development.



CORPORATE GOVERNANCE REPORT

The nomination committee of the Board of Directors 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 of Directors 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 of Directors 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.

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 of Directors. 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 of Directors, 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 C1 to the Listing Rules; and (vii) any other relevant factors as determined from time to time by the nomination committee or the Board of Directors.

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 of Directors; (iii) for the reappointment of any existing members of the Board of Directors, the nomination committee must submit suggestions to the Board of Directors 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 recommendation of candidates for election at the general meetings.



CORPORATE GOVERNANCE REPORT

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.

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 2024 is set out in the table below:

Name of Director	Attendance/number of meetings during the term of office					Shareholders' General Meeting
	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	
Mr. SONG Chi (Note 1)	3/3	—	—	—	—	2/2
Mr. SUN Huiyong (Note 2)	0/0	—	—	—	—	—
Mr. YANG Zhongshi	5/5	—	—	3/3	—	3/3
Mr. SHI Mingjun (Note 3)	5/5	—	—	—	1/1	3/3
Mr. XU Chungang	5/5	—	2/2	—	—	3/3
Mr. LI Yeji (Note 4)	5/5	—	—	—	—	3/3
Mr. WANG Yuguo	2/2	2/2	—	3/3	1/1	1/1
Mr. FU Yachen	5/5	2/2	2/2	3/3	—	3/3
Mr. POON Pok Man	5/5	4/4	2/2	—	—	3/3
Ms. ZHANG Yan	3/3	2/2	—	—	—	2/2

Notes:

- (1) Mr. SONG Chi was appointed as the Chairman of the Board, a non-executive Director and the chairman of the Strategy Committee on 31 May 2024.
- (2) Mr. SUN resigned from the position as the Chairman of the Board, a non-executive Director, a member of the audit committee and the chairman of the Strategy Committee on 21 March 2024.
- (3) Mr. SHI Mingjun resigned as an executive Director and deputy general manager of the Company and ceases to be a member of the Strategy Committee with effect from 28 March 2025.
- (4) Mr. LI Yeji resigned as an executive Director with effect from 16 April 2025.

Apart from regular Board meetings, the Chairperson also held three meetings 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 2023, consideration of the report of independent directors for the year 2023, and consideration of the connected transactions for the year 2023 and implementation of requirements on connected transaction management, and giving independent opinions on the acquisition of heat assets by the controlling shareholder. The Company considers that such meeting is one of the mechanisms to ensure independent views and recommendation are available to the Board. The Board has reviewed the effectiveness of such mechanism annually.

Mr. SUN resigned from the position as the Chairman of the Board, a member of the Audit Committee and the Strategy Committee on 21 March 2024. Mr. SONG was appointed as the Chairman of the Board and a member of the Strategy Committee on 31 May 2024. Ms. ZHANG Yan was appointed as a member of the Nomination Committee and the Audit Committee on 31 May 2024.



CORPORATE GOVERNANCE REPORT

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. While meeting the requirements of the regulatory bodies for risk management and internal control, the Company's risk management and control capabilities are enhanced as a whole so as to continuously enhance its core competitiveness.

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 2024.

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 2024, 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. 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 achieving the highest standards of integrity and ethical conduct in its operations. The Anti-Corruption Policy is a guideline for our employees and business counterparts (such as 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.



CORPORATE GOVERNANCE REPORT

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR REGARDING THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2024. 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 responsibility of the external auditor of the Company on the financial statements is set out in "Auditor's Report" section on pages 58 to 63 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 2024 amounted to RMB1.48 million and nil (2023: RMB2.24 million and nil), respectively.

JOINT COMPANY SECRETARIES

As at the date of this report, both Mr. WAN Tao and Mr. LEE Chung Shing are the joint company secretaries of the Company.

For the year ended 31 December 2024, 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.

To safeguard Shareholders' interests and rights, separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general 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 the conclusion of each general 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 normally will not 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 request, 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.



CORPORATE GOVERNANCE REPORT

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.

Reference is made to the Company's announcement dated 28 March 2025 in relation to the proposed amendments to the Articles of Association.

The Board announced certain amendments to the existing Articles of Association for the purpose of, among others, (i) bringing the Articles of Association in line with applicable laws, rules and regulations, in particular, the abolition of the Special Provisions of the State Council on the Overseas Offering and Listing of Shares by the Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) and the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) on 31 March 2023, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) which became effective on 31 March 2023 and the latest amendments to the Company Law of the People's Republic of China which came into force on 1 July 2024; and (ii) making other consequential and tidying-up amendments for house-keeping purpose (collectively, the **"Proposed Amendments"**).

The Proposed Amendments mainly relate to (i) the establishment of the role of employee representative directors; (ii) the cancellation of the supervisory committee; (iii) amendments to the Articles of Association as a result of the legal and regulatory changes; (iv) the recent change of names of the Company's promoters, namely Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司) (formerly known as Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)) and Changchun State-owned Operation Group Co., Ltd.* (長春市國有資本運營集團有限責任公司) (formerly known as Changchun State-owned Capital Investment Operation (Group) Co., Ltd.* (長春市國有資本投資運營(集團)有限公司)); (v) consequential re-numbering of the Articles and re-numbering references with the new Article numbers; and (vi) other consequential and tidying-up amendments.

A special resolution regarding the Proposed Amendments will be submitted for consideration and approval at the forthcoming AGM. The revised Articles of Association, incorporating the Proposed Amendments, shall take effect from the date of approval of relevant resolution at the AGM. The current Articles of Association of the Company shall continue to be valid prior to the approval of the relevant resolution at the AGM.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHAIRMAN, NON-EXECUTIVE DIRECTOR SONG CHI

Mr. SONG Chi (宋馳先生), aged 53, is currently the chairman and non-executive Director of the Company. Mr. SONG is responsible for formulating the corporate strategies of the Group and directing the activities of the Board.

Mr. SONG has extensive work experience, including from May 2001 to March 2004, Mr. SONG served as the deputy head of Xingfu Township, Nanguan District, Changchun City, and the secretary of the Party Working Committee of Quan'an Street; from March 2004 to September 2004, he served as the committee member of the Nanguan District Committee of Changchun City, and the director of the Research Office of the Changchun City Nanguan District Government; from September 2004 to August 2006, he served as a committee member of the Changchun Municipal Party Committee and the director of the County and District Division of the Municipal Government Policy Research Office of the Changchun Municipal Party Committee; from August 2006 to August 2016, he successively served as the deputy head of Chaoyang District, Changchun City, a member of the Standing Committee of the Chaoyang District Committee and the director of the Organization Department of Chaoyang District, Changchun City; from September 2016 to December 2018, he served as secretary of the Party Leadership Group, and the director of Changchun Public Utility Bureau; from December 2018 to July 2019, he served as secretary of the Party Leadership Group, and the director of Changchun Municipal Bureau of Commerce; from July 2019 to July 2021, he served as secretary of the Party Leadership Group, and the director of Changchun Market Supervision and Administration Bureau; from July 2021 to April 2022, he served as secretary of the Kuancheng District Committee of Changchun City of the Communist Party of China; from October 2023 to April 2024, he served as the deputy party secretary and general manager of Changchun Water Investment and Development Group Co., Ltd. Since April 2024, Mr. SONG serves as the party secretary and chairman of Chuncheng Investment, the controlling shareholder of the Company.

Mr. SONG graduated from the Party School of Jilin Provincial Party Committee with a master's degree in law.

NON-EXECUTIVE DIRECTOR, GENERAL MANAGER YANG ZHONGSHI

Mr. YANG Zhongshi (楊忠實先生), aged 58, joined our Group in April 1998 and has been the vice chairman of the Board, an executive Director and the general manager of our Company from 30 May 2018 to 28 March 2025. With effect from 28 March 2025, Mr. YANG has been re-designated as a non-executive Director.

Mr. YANG has approximately 34 years of working experience in the heating industry and held various senior management positions within our controlling shareholder, Changre Group. He was the deputy chief engineer and the head of the technical equipment department of Changre Group from December 2000 to December 2002 and was promoted to chief engineer since December 2002, mainly responsible for overall technology management. He served as the deputy general manager at Changre Group from February 2011 to April 2016, mainly responsible for production management, production safety management and end-users service management, and the general manager from April 2016 to May 2018, mainly responsible for overall business management and implementation of policies passed by the board of directors. Mr. YANG was appointed as a director of Changre Group from August 2017 to October 2019. Since May 2018, he has not participated in the daily operation of Changre Group and has been mainly 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.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR, DEPUTY GENERAL MANAGER SHI MINGJUN

Mr. SHI Mingjun (史明俊先生), aged 56, joined our Group in April 1998 and he has resigned as an executive Director and deputy general manager of the Company and ceased to be a member of the Strategy Committee with effect from 28 March 2025; and when he was 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 28 years of working experience in the heating industry. He held various positions within our controlling shareholder, Changre Group, 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 Changre Group as the general manager assistant from August 2009 to August 2010 and was promoted to the position of deputy general manager from August 2010 to July 2018 mainly responsible for formulation of strategies and development plans of our Group and overall management of business operations. Mr. SHI was appointed as a director of Changre Group 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 from July 2018 to March 2025. 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 from June 2017 to July 2024; as the chairman (legal person) in Xixing Energy 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 Chuncheng 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 July 2002 and a master's degree in senior executive business administration management from Jilin University (吉林大學) 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 51, 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 finance and oversight of heating supply operations of our Group.

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.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR LI YEJI

Mr. LI Yeji (李業績先生), aged 47, joined our Group in September 2001 and he has resigned as an executive Director with effect from 16 April 2025. He is currently the head of production department, mainly responsible for management on heat supply of our Company.

Mr. LI has approximately 24 years of working experience in the PRC heating industry. He has held various positions within our controlling shareholder, Changre Group, and worked successively as the construction manager of the construction development division from September 2001 to May 2002, mainly responsible for coordination of construction projects; the process engineer of the technical department from May 2002 to April 2008, mainly responsible for process management of technical department; the deputy manager of Chaoyang Division One from April 2008 to March 2009 mainly responsible for production management and quality control; the deputy head of production department from March 2009 to March 2010 mainly responsible for operations and end-users services management; the deputy manager of Chaoyang Division Two from March 2010 to April 2012 mainly responsible for production 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 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* (天津津安熱電有限公司) as deputy general manager from July 2017 to December 2017, mainly responsible for management of technology and production.

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

INDEPENDENT NON-EXECUTIVE DIRECTOR FU YACHEN

Mr. FU Yachen (付亞辰先生), aged 71, 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 in university teaching. 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 counseling for the government. He worked 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.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. FU 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, 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 40, 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 17 years of professional experience in corporate restructuring, corporate finance, 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.

INDEPENDENT NON-EXECUTIVE DIRECTOR ZHANG YAN

Ms. ZHANG Yan (張彥女士), aged 45, is an independent non-executive Director of our Company. She was appointed as our independent non-executive Director on 31 May 2024. She is responsible for overseeing the management of our Group independently.

Ms. ZHANG obtained the PRC lawyer qualification in 2006. Ms. ZHANG worked as a lawyer at Jilin Jincheng Law Firm* (吉林競誠律師事務所), mainly responsible for handling various kinds of legal cases from July 2006 to April 2008. Between May 2008 and July 2008, she acted as the second-level partner of Jilin Jincheng Law Firm* (吉林競誠律師事務所) and since August 2018, she has served as a senior partner of Jilin Jincheng Law Firm* (吉林競誠律師事務所). Since April 2020, Ms. ZHANG has also served as a director of Jilin Jincheng Law Firm* (吉林競誠律師事務所)'s management committee, mainly responsible for the daily management and operations of the firm. In September 2021, Ms. ZHANG was appointed as an arbitrator by the Changchun Arbitration Commission* (長春仲裁委員會), mainly responsible for handling arbitration cases accepted by the Changchun Arbitration Commission* (長春仲裁委員會).

Ms. ZHANG graduated from Jilin University of the PRC in 2005 with a master's degree in economic law. In September 2019, Ms. ZHANG was awarded the "Outstanding Lawyer of Jilin Province" (吉林省優秀律師) by the Jilin Provincial Lawyers Industry Committee of the Communist Party of the PRC* (中國共產黨吉林省律師行業委員會).



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

CHAIRMAN OF THE SUPERVISORY COMMITTEE QIU JIANHUA

Mr. QIU Jianhua (仇建華先生), aged 58, 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 Changre Group, the controlling shareholder of the Company, including as coordinator of the production planning section from August 1987 to November 1992, section officer of the personnel department from November 1992 to May 1994, deputy chief of the operation department from May 1994 to June 1998, chief of the operation department and manager of the debt collection business from June 1998 to March 2004 and chief of the general operation and planning department from March 2004 to May 2011. He was promoted to the position of assistant general manager of Changre Group from May 2011 to December 2014 and has been the deputy general manager of Changre Group since December 2014, a director of Changre Group from October 2019 to September 2022 as well 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 44, 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 42, 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, Changre Group, 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), the head of department of securities affair and the office director of the Board, 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.

GENERAL MANAGER ZHANG LIMING

Mr. ZHANG Liming (張黎明), aged 51, has been appointed as the general manager of the Company with effect from 16 April 2025 and is mainly responsible for the overall management of the Group's production, operations, and heating business.

Mr. ZHANG has more than 20 years of experience in the heating industry. From January 1999 to May 2001, Mr. ZHANG served as the production section chief of the Nangan branch of the Company's controlling shareholder, Changre Group and was mainly responsible for managing heat supply operations and quality control. From May 2001 to March 2006, he served as the technical section chief, assistant manager and deputy manager of the Dongling branch, and was mainly responsible for managing heat supply operations, quality control and overall management. From March 2006 to March 2009, he served as the manager of the Second Road Branch, mainly responsible for the overall management of thermal production and service fees. From March 2009 to March 2010, he served as the manager of the Chaoyang Second Department, mainly responsible for the management of thermal production and operations. From March 2010 to April 2014, he served as the Dongling branch manager, mainly responsible for the overall management of thermal production and operations. From April 2014 to May 2017, he served as the director of the development and construction division, mainly responsible for the development of heating area and the construction of heating engineering projects. Mr. ZHANG served as the assistant to the general manager of Changre Group from December 2014 to May 2018, and was mainly responsible for the management of the group's heating production, technology, and production safety. From May 2017 to December 2017, he served as the director of the construction management center. From December 2017 to May 2018, he served as the deputy chief engineer of Changre Group, mainly responsible for the overall management of heat supply, technology, safety matters, and engineering design. From May 2018 to August 2022, Mr. ZHANG served as the Company's deputy general manager. From December 2020 to August 2022, Mr. ZHANG served as the general manager of Changchun Yatai Heating Company Limited*, a wholly-owned subsidiary of the Company. From March 2021 to August 2022, Mr. ZHANG served as the chairman of Jilin Province Northeast Heating Co., Ltd.*, a non-wholly owned subsidiary of the Company. From August 2022 to October 2024, Mr. ZHANG served as the deputy general manager of Changre Group. From October 2024 to April 2025, Mr. ZHANG served as the general manager of Changre Group.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. ZHANG graduated from Harbin Institute of Technology in July 1996 with a bachelor's degree in thermal energy engineering. Mr. ZHANG was officially recognized by the Jilin Provincial Department of Personnel as a professorate senior engineer in thermal energy and power engineering in January 2021.

DEPUTY GENERAL MANAGER HUANG JINSONG

Mr. HUANG Jinsong (黃金嵩先生), aged 52, is currently the deputy general manager of the Company and is mainly responsible for the Group's daily office operations and work safety management.

Mr. HUANG served as a technician at the High-tech Management Office of Changchun City Heat Supplies Operation Co., Ltd.*[長春市供熱公司高新管理處] from July 1996 to May 1998, and as a technician at the Planning Office of Changchun City Heat Supplies Operation Co., Ltd.*[長春市供熱公司計劃處技術員] from May 1998 to January 2004. He successively served as the deputy director and director of the Technical Equipment Department of Changchun City Heat Supplies Operation Co., Ltd.*[長春市供熱公司技術設備部] from January 2004 to February 2014, and served as the deputy general manager of Changchun Heating (Group) Co., Ltd. from February 2014 to March 2025.

Mr. HUANG graduated from Hebei Institute of Coal Mining and Civil Engineering with a major in Building Water Supply, Drainage and Heating, and obtained a bachelor's degree in Electrical Engineering and Automation from the Adult Education College of Changchun University of Science and Technology in July 2015.



DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DEPUTY GENERAL MANAGER LIU YANAN

Ms. LIU Yanan (劉亞女士), aged 54, is currently the deputy general manager of the Company and is mainly responsible for the Group's information technology protection and maintenance and repair management.

Ms. LIU Yanan served as an HVAC technician in the technical section of Changre Group's Green Park Institute* (長熱集團綠園所) from September 1992 to April 1994, as the head of the production technology section of Tiexi Branch Company of Changre Group (長熱集團鐵西公司) from March 1994 to April 2003, as the assistant manager and head of the production section of Nanguan Branch Company of Changre Group (長熱集團南關分公司) from April 2003 to April 2004, and successively as a deputy director and director of safety production department of Changre Group from April 2004 to June 2018, as a director of Changre Group from July 2017 to September 2023, 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 from November 2019 to July 2023, and has served as the deputy general manager of the Company since September 2022. She has served as a chairman of Jilin Province Northeast Heating Co., Ltd.* (吉林省東北供熱有限公司) since November 2022, and as the general manager of Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司) since January 2023.

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.

DEPUTY GENERAL MANAGER, BOARD SECRETARY, JOINT COMPANY SECRETARY WAN TAO

Mr. WAN Tao (萬滔先生), aged 39, joined our Group in May 2011. He was appointed as our Board secretary in May 2018 and our joint company secretary on 20 May 2019, and was appointed as the Deputy General Manager of the Company with effect from 16 April 2025, responsible for the strategic development and legal affairs management of the Group.

Mr. WAN was the secretary and archivist and project statistician of Erdao Division of our controlling shareholder, Changre Group, 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; communications officer for the party branch at Changre Group from May 2013 to May 2015, mainly responsible for publications and media communications; deputy head of fuel management of Changre Group from May 2015 to May 2017, mainly responsible for securing coal supply for heat production; and deputy director of office from May 2017 to May 2018. Mr. WAN was the director of office of our Company from May 2018 to July 2023, as the assistant to general manager of the Company from September 2022 to July 2023 and served as the Secretary of Party General Branch of Chuncheng from July 2023 to September 2024. Mr. WAN has been the vice chairman and director of Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司) since July 2024.

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

XIN KUAI SHI BAO ZI [2025] No. ZB10121

To all shareholders of Jilin Province Chuncheng Heating Company Limited*:

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 2024, 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 2024, and related notes to the financial statements.

In our opinion, the attached financial statements, which were 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 2024, and of the combined and parent company's financial performance and cash flows for the year 2024.

2. BASIS OF OPINION

We conducted our audit in accordance with the China Registered Accountants Auditing Standards (the "Auditing Standards"). Our responsibilities under those standards are further described in the section headed "Certified Public Accountant'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.



AUDITOR'S REPORT

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:

Key audit matters

How our audit addressed key audit matters

(1) Revenue Recognition

Please refer to Note III, (XXVI) and V, (XXXV) 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 2024 amounted to RMB1,615.3149 million, representing 89.46% of the Chuncheng Heating's combined revenue. According to Note III, (XXVI) 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.

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 the location of users in the billing system;
- (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.



AUDITOR'S REPORT

Key audit matters

How our audit addressed key audit matters

(2) Impairment of goodwill

Please refer to Note III, (XX) and V, (XII) to the financial statements for information on the accounting policies and carrying amounts related to impairment of goodwill of Chuncheng Heating.

As at 31 December 2024, Chuncheng Heating 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.

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.



AUDITOR'S REPORT

4. OTHER INFORMATION

The management (the "Management") is responsible for other information. The other information comprises the information included in the 2024 annual report of Chuncheng Heating, but does not include the financial statements and our audit report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Management 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 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.

6. 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 the Auditing Standards 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.



AUDITOR'S REPORT

As part of an audit in accordance with the Auditing Standards, 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, but not for the purpose of expressing an opinions on the effectiveness of internal control.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (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 statements' 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 (including disclosures), 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 audit opinions on the combined 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.



AUDITOR'S REPORT

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.

BDO China SHU LUN PAN
Certified Public Accountants LLP

Chinese Certified
Public Accountant:
(Engagement partner) Zhang Ming (張鳴)

Shanghai, China

Chinese Certified
Public Accountant: Zhang Qiong (張瓊)

28 March 2025



COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2024

(presented in RMB unless otherwise stated)

Asset	Note V	Balance as at end of the period	Closing balance of previous year
CURRENT ASSETS:			
Monetary fund	(1)	1,455,774,167.52	1,117,641,609.91
Settlement reserve			
Loans to banks and other financial institutions			
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable			
Trade receivables	(2)	292,454,028.46	145,484,702.63
Trade receivables financing			
Prepayments	(3)	696,052,863.29	560,281,310.77
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance contract			
Other receivables	(4)	143,150,344.45	19,880,079.38
Financial assets held under resale agreements			
Inventories	(5)	8,788,546.82	6,713,395.63
Of which: Data resource			
Contract assets	(6)	46,964,015.19	65,115,247.85
Assets held for sale			
Non-current assets due within one year			
Other current assets	(7)	33,620,803.95	26,982,649.84
TOTAL CURRENT ASSETS		2,676,804,769.68	1,942,098,996.01

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2024

(presented in RMB unless otherwise stated)

Asset	Note V	Balance as at end of the period	Closing balance of previous year
NON-CURRENT ASSETS:			
Loans and advances released			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets	(8)	850,266,318.15	897,056,268.51
Construction-in-progress	(9)	53,612,884.26	15,297,566.99
Biological assets			
Fuel and gas assets			
Right-of-use assets	(10)	10,060,235.07	9,151,063.82
Intangible assets	(11)	17,259,945.80	14,605,254.11
Of which: Data resource			
Development costs			
Of which: Data resource			
Goodwill	(12)	74,847,680.43	74,847,680.43
Long-term deferred expenditures	(13)		52,873.11
Deferred income tax assets	(14)	62,984,246.27	53,483,180.47
Other non-current assets			
TOTAL NON-CURRENT ASSETS		1,069,031,309.98	1,064,493,887.44
TOTAL ASSETS		3,745,836,079.66	3,006,592,883.45

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2024

(presented in RMB unless otherwise stated)

Liabilities and owners' equity	Note V	Balance as at end of the period	Closing balance of previous year
CURRENT LIABILITIES:			
Short-term borrowings	(16)	616,185,080.42	
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable	(17)	88,600,000.00	183,130,000.00
Trade payables	(18)	288,333,372.32	197,585,314.62
Advances			
Contract liabilities	(19)	1,436,470,122.36	1,381,513,668.23
Financial assets sold under repurchase agreements			
Deposits from customers and deposits from banks			
Accounts payable to brokerage clients			
Amounts payable to underwriting clients			
Salaries payable	(20)	107,132,207.59	99,420,557.57
Tax payable	(21)	19,188,754.70	21,219,468.29
Other payables	(22)	17,117,505.96	16,090,642.48
Fees and commissions payable			
Reinsurance amounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	(23)	5,912,595.53	2,733,983.62
Other current liabilities	(24)	34,420.48	13,028.63
TOTAL CURRENT LIABILITIES		2,578,974,059.36	1,901,706,663.44

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2024

(presented in RMB unless otherwise stated)

Liabilities and owners' equity	Note V	Balance as at end of the period	Closing balance of previous year
NON-CURRENT LIABILITIES:			
Provision for insurance contract			
Long-term borrowings			
Bonds payable			
Of which: Preference shares			
Perpetual bonds			
Lease liabilities	(25)	6,700,386.05	6,398,770.88
Long-term payables	(26)	2,584,506.04	2,584,506.04
Long-term salaries payable	(27)	34,548,188.24	31,338,188.24
Estimated liabilities			
Deferred income	(28)	52,153,256.12	39,773,519.76
Deferred income tax liabilities	(14)	26,485,876.24	33,502,589.18
Other non-current liabilities	(29)	1,229,995.52	1,442,167.11
TOTAL NON-CURRENT LIABILITIES		123,702,208.21	115,039,741.21
TOTAL LIABILITIES		2,702,676,267.57	2,016,746,404.65

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2024

(presented in RMB unless otherwise stated)

Liabilities and owners' equity	Note V	Balance as at end of the period	Closing balance of previous year
OWNERS' EQUITY:			
Share capital	(30)	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	(31)	-7,364,142.82	-2,786,642.82
Special reserves	(32)	25,630,609.10	25,636,436.53
Surplus reserve	(33)	45,131,170.29	38,565,035.73
Provision for general risk			
Undistributed profits	(34)	513,062,175.52	461,731,649.36
Total owners' equity attributable to the parent company		1,043,159,812.09	989,846,478.80
Minority interests			
TOTAL OWNERS' EQUITY		1,043,159,812.09	989,846,478.80
TOTAL LIABILITIES AND OWNERS' EQUITY		3,745,836,079.66	3,006,592,883.45

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



COMBINED INCOME STATEMENT

Year 2024

(presented in RMB unless otherwise stated)

Item	Note V	Current period	Previous period
I. TOTAL OPERATING INCOME		1,805,700,163.91	1,694,416,835.88
Of which: Operating income	(35)	1,805,700,163.91	1,694,416,835.88
Interest income			
Premiums earned			
Fees and commission income			
II. TOTAL OPERATING COSTS		1,660,616,669.13	1,533,287,508.15
Of which: Operating costs	(35)	1,548,545,151.47	1,428,526,474.25
Interest expenses			
Fees and commission expenses			
Surrenders			
Net payments for insurance claims			
Net provision for deposit for insurance contracts			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges	(36)	4,746,912.72	4,547,238.86
Selling expenses	(37)	812,474.93	1,825,236.87
Administrative expenses	(38)	108,944,773.23	100,537,572.65
Research and development expenses	(39)	1,486,773.25	2,317,798.09
Financial costs	(40)	-3,919,416.47	-4,466,812.57
Of which: Interest expenses	(40)	9,255,842.25	12,114,895.93
Interest income	(40)	13,735,707.44	17,274,669.76
Add: Other income	(41)	5,987,107.70	12,231,569.75
Investment income ("-" denotes loss)			
Of which: Investment income from associates and joint ventures			
Gain on derecognition of financial assets measured at amortized cost			
Exchange income ("-" denotes loss)			
Net gain from hedging exposure ("-" denotes loss)			
Gain on changes in fair value ("-" denotes loss)			
Credit impairment loss ("-" denotes loss)	(42)	-20,918,284.53	-3,571,744.49
Impairment loss on assets ("-" denotes loss)		7,897,909.73	-32,058.81
Gain on disposal of assets ("-" denotes loss)	(44)	86,422.03	

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



COMBINED INCOME STATEMENT

Year 2024

(presented in RMB unless otherwise stated)

Item	Note V	Current period	Previous period
III. OPERATING PROFIT (“–” denotes loss)		138,136,649.71	169,757,094.18
Add: Non-operating income	(45)	1,713,662.96	1,014,761.87
Less: Non-operating expenses	(46)	1,529,646.74	2,300,071.57
IV. TOTAL PROFIT (“–” denotes total loss)		138,320,665.93	168,471,784.48
Less: Income tax expenses	(47)	38,421,005.21	47,516,257.15
V. NET PROFIT (“–” denotes net loss)		99,899,660.72	120,955,527.33
(I) Classified by continuity of operation			
1. Net profit from continuing operation (“–” denotes net loss)		99,899,660.72	120,955,527.33
2. Net profit from discontinued operation (“–” denotes net loss)			
(II) Classified by ownership			
1. Net profit attributable to owners of the parent company (“–” denotes net loss)		99,899,660.72	120,955,527.33
2. Minority interests (“–” denotes net loss)			
VI. OTHER COMPREHENSIVE INCOME, NET OF TAX		-4,577,500.00	-1,000,000.00
Other comprehensive income attributable to owners of the parent company, net of tax		-4,577,500.00	-1,000,000.00
(I) Other comprehensive income that may not be reclassified to profit or loss		-4,577,500.00	-1,000,000.00
1. Net changes from re-measurement of defined benefit plans		-4,577,500.00	-1,000,000.00
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			

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



COMBINED INCOME STATEMENT

Year 2024

(presented in RMB unless otherwise stated)

Item	Note V	Current period	Previous period
(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. Others			
Other comprehensive income attributable to minority shareholders, net of tax			
VII. TOTAL COMPREHENSIVE INCOME		95,322,160.72	119,955,527.33
Total comprehensive income attributable to owners of the parent company		95,322,160.72	119,955,527.33
Total comprehensive income attributable to minority shareholders			
VIII. EARNINGS PER SHARE:			
(I) Basic earnings per share (RMB per share)	(48)	0.21	0.26
(II) Diluted earnings per share (RMB per share)	(48)	0.21	0.26

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



COMBINED STATEMENT OF CASH FLOWS

Year 2024

(presented in RMB unless otherwise stated)

Item	Note V	Current period	Previous period
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		1,878,123,154.26	1,817,133,785.00
Net increase in deposits from customers and placements from bank and other financial institutions			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from original insurance contract premium			
Net cash receive form reinsurance business			
Net increase in insurance deposit and investment funds			
Cash received of interest, charges and commission			
Net increase in placements from banks			
Net increase in funds for repurchasing business			
Net cash received from trading securities			
Refund of taxes and surcharges		1,040,552.19	260,552.06
Cash received relating to other operating activities	(49)	41,013,537.89	127,091,563.25
Sub-total of cash inflows from operating activities		1,920,177,244.34	1,944,485,900.31
Cash paid for purchase of goods and receipt of services		1,506,142,470.07	1,145,527,576.88
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other financial institutions			
Cash benefits paid for original insurance contracts			
Net increase in placement with banks			
Cash paid for interest, charges and commission			
Cash paid for dividend of the insurance			
Cash paid to and on behalf of employees		270,631,325.72	217,796,136.65
Payments of tax charges		77,091,173.54	102,103,124.66
Cash paid relating to other operating activities	(49)	30,292,140.87	79,716,510.23
Sub-total of cash outflows from operating activities		1,884,157,110.20	1,545,143,348.42
Net cash flows from operating activities	(50)	36,020,134.14	399,342,551.89

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



COMBINED STATEMENT OF CASH FLOWS

Year 2024

(presented in RMB unless otherwise stated)

Item	Note V	Current period	Previous period
II. Cash flows from investing activities			
Cash received from recovery of investments			
Cash received from returns on investments			
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		40,680.50	
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		40,680.50	
<hr/>			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		124,454,918.04	29,163,062.28
Cash paid to acquire investments		138,000,000.00	
Net increase in pledged loans			
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		262,454,918.04	29,163,062.28
<hr/>			
Net cash flows from investing activities		-262,414,237.54	-29,163,062.28

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



COMBINED STATEMENT OF CASH FLOWS

Year 2024

(presented in RMB unless otherwise stated)

Item	Note V	Current period	Previous period
III. Cash flows from financing activities			
Cash received from capital contributions			
Of which: Cash received from investment by minority shareholders to subsidiaries			
Cash received from borrowings		615,550,000.00	70,280,000.00
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		615,550,000.00	70,280,000.00
Cash paid for repayment of borrowings			304,280,000.00
Cash paid for distribution of dividends, profits or interest payment		49,230,314.48	53,833,148.41
Of which: Payments for distribution of dividends or profits to minority shareholders by subsidiaries			
Cash paid relating to other financing activities	(49)	1,816,288.49	1,540,833.34
Sub-total of cash outflows from financing activities	(50)	51,046,602.97	359,653,981.75
Net cash flows from financing activities	(50)	564,503,397.03	-289,373,981.75
IV. Effect of foreign exchange rate changes on cash and cash equivalents	(50)	23,263.98	
V. Net increase in cash and cash equivalents		338,132,557.61	80,805,507.86
Add: Cash and cash equivalents balance at beginning of the period		1,111,041,609.91	1,030,236,102.05
VI. Cash and cash equivalent balance at end of the period		1,449,174,167.52	1,111,041,609.91

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



COMBINED STATEMENT OF CHANGES IN EQUITY

Year 2024

(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	General risk reserve	Undistributed profits	Sub-total	Minority interests	Total owners' equity
Share capital	Preference shares	Perpetual bonds	Others											
I. Closing balance of previous year	466,700,000.00						-2,786,642.82	25,636,436.53	38,565,035.73		461,731,649.36	989,846,478.80		989,846,478.80
Add: Change in accounting policy														
Correction of accounting errors for prior period														
Business combination under common control														
Others														
II. Opening balance of current year	466,700,000.00						-2,786,642.82	25,636,436.53	38,565,035.73		461,731,649.36	989,846,478.80		989,846,478.80
III. Changes during the period (Decrease represented in "-")							-4,577,500.00	-5,827.43	6,566,134.56		51,330,526.16	53,313,333.29		53,313,333.29
(I) Total comprehensive income							-4,577,500.00				99,899,660.72	95,322,160.72		95,322,160.72
(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									6,566,134.56		-48,569,134.56	-42,003,000.00		-42,003,000.00
1. Withdrawal of surplus reserve									6,566,134.56		-6,566,134.56			
2. Withdrawal of general risk reserve														
3. Distribution to owners (or shareholders)											-42,003,000.00	-42,003,000.00		-42,003,000.00
4. Others														
(IV) Internal transfer of owners' equity														
1. Capital reserve transferred to capital (or share capital)														
2. Surplus reserve transferred to capital (or 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								-5,827.43				-5,827.43		-5,827.43
1. Withdrawal in the current period														
2. Utilized in the current period								5,827.43				5,827.43		5,827.43
(VI) Others														
IV. Closing balance of current period	466,700,000.00						-7,364,142.82	25,630,609.10	45,131,170.29		513,062,175.52	1,043,159,812.09		1,043,159,812.09

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



COMBINED STATEMENT OF CHANGES IN EQUITY

Year 2024

(presented in RMB unless otherwise stated)

Item	Previous period													
	Owners' equity attributable to the parent company													
	Other equity instruments				Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Sub-total	Minority interests	Total owners' equity
Share capital	Preference shares	Perpetual bonds	Others											
I. Closing balance of previous year	466,700,000.00						-1,786,642.82	25,643,923.18	29,831,863.56		391,512,294.20	911,901,438.12		911,901,438.12
Add: Change in accounting policy														
Correction of accounting errors for prior period														
Business combination under common control														
Others														
II. Opening balance of current year	466,700,000.00						-1,786,642.82	25,643,923.18	29,831,863.56		391,512,294.20	911,901,438.12		911,901,438.12
III. Changes during the current period (presented by a "+" sign for decrease)							-1,000,000.00	-7,486.65	8,733,172.17		70,219,355.16	77,945,040.68		77,945,040.68
(I) Total comprehensive income							-1,000,000.00				120,955,527.33	119,955,527.33		119,955,527.33
(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									8,733,172.17		-50,736,172.17	-42,003,000.00		-42,003,000.00
1. Withdrawal of surplus reserve									8,733,172.17		-8,733,172.17			
2. Withdrawal of general risk reserve														
3. Distribution to owners (or shareholders)											-42,003,000.00	-42,003,000.00		-42,003,000.00
4. Others														
(IV) Internal transfer of owners' equity														
1. Capital reserve transferred to capital (or share capital)														
2. Surplus reserve transferred to capital (or 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								-7,486.65				-7,486.65		-7,486.65
1. Withdrawal in the current period														
2. Utilized in the current period								7,486.65				7,486.65		7,486.65
(VI) Others														
IV. Closing balance of current year	466,700,000.00						-2,786,642.82	25,636,436.53	38,565,035.73		461,731,649.36	989,846,478.80		989,846,478.80

The accompanying notes form an integral part of these financial statements.

Person in charge of the Company: Person in charge of accounting function: Person in charge of audit firm:



STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

31 December 2024

(presented in RMB unless otherwise stated)

Asset	Note XVII	Balance as at end of the period	Balance as at end of prior period
CURRENT ASSETS:			
Monetary fund		1,383,494,276.12	1,080,611,976.18
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable			
Trade receivables	(1)	96,526,100.19	59,583,223.77
Trade receivables financing			
Prepayments		664,349,822.29	538,062,350.20
Other receivables	(2)	198,247,101.59	42,412,432.21
Inventories		2,227,592.91	1,970,223.78
Of which: data			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		23,996,572.08	17,693,460.92
TOTAL CURRENT ASSETS		2,368,841,465.18	1,740,333,667.06
NON-CURRENT ASSETS:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	(3)	585,309,527.07	585,309,527.07
Other equity instrument investments			
Other non-current financial assets			
Investment properties			52,299.38
Fixed assets		607,807,154.25	636,616,118.95
Construction-in-progress		51,763,530.90	12,572,876.49
Biological assets			
Fuel and gas assets			
Right-of-use assets		6,243,395.21	4,110,957.89
Intangible assets		6,359,726.30	6,068,986.69

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

31 December 2024

(presented in RMB unless otherwise stated)

Asset	Note XVII	Balance as at end of the period	Balance as at end of prior year
Of which: data			
Development costs			
Of which: data			
Goodwill			
Long-term deferred expenditures		2,009,215.22	
Deferred income tax assets		25,239,107.97	16,101,297.72
Other non-current assets			
TOTAL NON-CURRENT ASSETS		1,284,731,656.92	1,260,832,064.19
TOTAL ASSETS		3,653,573,122.10	3,001,165,731.25

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

31 December 2024

(presented in RMB unless otherwise stated)

Liabilities and equity	Note XVII	Balance as at end of the period	Balance as at end of prior year
CURRENT LIABILITIES:			
Short-term borrowings		616,185,080.42	
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable		88,600,000.00	183,130,000.00
Trade payables		229,233,094.59	134,242,368.93
Advances			
Contract liabilities		1,050,792,888.77	1,018,235,612.45
Salaries payable		18,258,421.72	15,608,041.65
Tax payable		564,755.68	1,048,608.52
Other payables		596,444,268.35	631,272,173.02
Liabilities held for sale			
Non-current liabilities due within one year		2,983,990.46	1,071,122.25
Other current liabilities			
TOTAL CURRENT LIABILITIES		2,603,062,499.99	1,984,607,926.82
NON-CURRENT LIABILITIES:			
Long-term borrowings			
Bonds payable			
Of which: Preference shares			
Perpetual bonds			
Lease liabilities		4,367,924.79	2,961,091.00
Long-term payables			
Long-term salaries payable		19,548,188.24	17,358,188.24
Estimated liabilities			
Deferred income		42,331,014.40	32,581,189.92
Deferred income tax liabilities			19,686.16
Other non-current liabilities			
TOTAL NON-CURRENT LIABILITIES		66,247,127.43	52,920,155.32
TOTAL LIABILITIES		2,669,309,627.42	2,037,528,082.14

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

31 December 2024

(presented in RMB unless otherwise stated)

Liabilities and equity	Note XVII	Balance as at end of the period	Balance as at end of prior year
EQUITY:			
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		-5,116,642.82	-2,084,142.82
Special reserves			
Surplus reserve		69,025,502.72	62,459,368.16
Undistributed profits		352,911,867.33	335,819,656.32
<hr/>			
TOTAL EQUITY		984,263,494.68	963,637,649.11
<hr/>			
TOTAL LIABILITIES AND TOTAL EQUITY		3,653,573,122.10	3,001,165,731.25

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



INCOME STATEMENT OF PARENT COMPANY

Year 2024

(presented in RMB unless otherwise stated)

Item	Note XVII	Current period	Previous period
I. OPERATING INCOME	(4)	1,058,508,357.48	1,012,797,159.48
Less: Operating costs	(4)	897,027,224.49	841,910,969.87
Taxes and surcharges		1,622,166.23	1,727,097.07
Selling expenses			
Administrative expenses		73,658,394.24	64,510,691.26
Research and development expenses			
Financial costs		-4,351,531.58	-4,562,005.08
Of which: Interest expenses		8,649,712.59	11,579,713.66
Interest income		13,534,503.30	16,798,241.51
Add: Other income		3,747,391.95	10,315,367.23
Investment income ("—" denotes loss)			
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)			
Credit impairment loss ("—" denotes loss)		-10,867,583.39	-2,607,451.61
Impairment loss on assets ("—" denotes loss)		-503,895.25	
Gain on disposal of assets ("—" denotes loss)			
II. OPERATING PROFIT ("—" denotes loss)		82,928,017.41	116,918,321.98
Add: Non-operating income		1,375,927.19	153,773.45
Less: Non-operating expenses		1,465,855.52	449,518.69
III. TOTAL PROFIT ("—" denotes total loss)		82,838,089.08	116,622,576.74
Less: Income tax expenses		17,176,743.51	29,290,855.03
IV. NET PROFIT ("—" denotes net loss)		65,661,345.57	87,331,721.71
(I) Net profit from continuing operation ("—" denotes net loss)		65,661,345.57	87,331,721.71
(II) Net profit from discontinued operation ("—" denotes net loss)			

The accompanying notes form an integral part of these financial statements.

Person in charge of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



INCOME STATEMENT OF PARENT COMPANY

Year 2024

Item	Note XVII	Current period	Previous period
V. OTHER COMPREHENSIVE INCOME, NET OF TAX		-3,032,500.00	-705,000.00
(I) Other comprehensive income that may not be reclassified to profit or loss		-3,032,500.00	-705,000.00
1. Changes from re-measurement of defined benefit plans		-3,032,500.00	-705,000.00
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			
(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. Other			
VI. TOTAL COMPREHENSIVE INCOME		62,628,845.57	86,626,721.71
VII. EARNINGS PER SHARE:			
(I) Basic earnings per share (RMB per share)			
(II) Diluted earnings per share (RMB per share)			

The accompanying notes form an integral part of these financial statements.

Person in charge of the Company: Person in charge of accounting function: Person in charge of audit firm:



STATEMENT OF CASH FLOWS OF PARENT COMPANY

Year 2024

(presented in RMB unless otherwise stated)

Item	Note XVII	Current period	Previous period
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		1,174,069,479.52	1,086,580,816.62
Refund of taxes and surcharges			
Cash received relating to other operating activities		632,839,541.80	791,587,781.39
Sub-total of cash inflows from operating activities		1,806,909,021.32	1,878,168,598.01
Cash paid for purchase of goods and receipt of services		887,600,067.42	900,906,795.54
Cash paid to and on behalf of employees		127,434,226.38	127,392,012.82
Payments of tax charges		32,036,247.00	47,164,760.00
Cash paid relating to other operating activities		810,985,590.18	343,068,461.01
Sub-total of cash outflows from operating activities		1,858,056,130.98	1,418,532,029.37
Net cash flows from operating activities		-51,147,109.66	459,636,568.64
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from recovery of investments			
Cash received from returns on investments			
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		40,680.50	
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		40,680.50	
Cash paid to acquire fixed assets, intangible assets and other long-term assets		72,909,675.03	4,694,450.68
Cash paid to acquire investments		138,000,000.00	20,000,000.00
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		210,909,675.03	24,694,450.68
Net cash flows from investing activities		-210,868,994.53	-24,694,450.68

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



STATEMENT OF CASH FLOWS OF PARENT COMPANY

Year 2024

(presented in RMB unless otherwise stated)

Item	Note XVII	Current period	Previous period
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from capital contributions			
Cash received from borrowings		615,550,000.00	70,280,000.00
Cash received relating to other financing activities			
<hr/>			
Sub-total of cash inflows from financing activities		615,550,000.00	70,280,000.00
<hr/>			
Cash paid for repayment of borrowings			304,280,000.00
Cash paid for distribution of dividends, profits or interest payment		49,230,314.48	53,833,148.41
Cash paid relating to other financing activities		1,444,545.37	607,500.00
<hr/>			
Sub-total of cash outflows from financing activities		50,674,859.85	358,720,648.41
<hr/>			
Net cash flows from financing activities		564,875,140.15	-288,440,648.41
<hr/>			
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		23,263.98	
<hr/>			
V. NET INCREASE IN CASH AND CASH EQUIVALENTS		302,882,299.94	146,501,469.55
Add: Cash and cash equivalent balance at beginning of the period		1,080,611,976.18	934,110,506.63
<hr/>			
VI. CASH AND CASH EQUIVALENT BALANCE AT END OF THE PERIOD		1,383,494,276.12	1,080,611,976.18
<hr/>			

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY

Year 2024

(presented in RMB unless otherwise stated)

Item	Current period										
	Other equity instruments				Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
	Share capital	Preference shares	Perpetual bonds	Others							
I. Closing balance of previous year	466,700,000.00				100,742,767.45		-2,084,142.82		62,459,368.16	335,819,656.32	963,637,649.11
Add: Change in accounting policy											
Correction of accounting errors for prior period											
Others											
II. Opening balance of current year	466,700,000.00				100,742,767.45		-2,084,142.82		62,459,368.16	335,819,656.32	963,637,649.11
III. Changes during the current period (presented by a "-" sign for decrease)							-3,032,500.00		6,566,134.56	17,092,211.01	20,625,845.57
(I) Total comprehensive income							-3,032,500.00			65,661,345.57	62,628,845.57
(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									6,566,134.56	-48,569,134.56	-42,003,000.00
1. Appropriation to surplus reserve									6,566,134.56	-6,566,134.56	
2. Distribution to owners (or shareholders)											
3. Others										-42,003,000.00	-42,003,000.00
(IV) Internal transfer of owners' equity											
1. Capital reserve transferred to capital (or share capital)											
2. Surplus reserve transferred to capital (or 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											
1. Appropriation in the current period											
2. Utilized in the current period											
(VI) Others											
IV. Closing balance of current period	466,700,000.00				100,742,767.45		-5,116,642.82		69,025,502.72	352,911,867.33	984,263,494.68

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY

Year 2024

(presented in RMB unless otherwise stated)

Item	Previous period										
	Other equity instruments				Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
	Share capital	Preference shares	Perpetual bonds	Others							
I. Closing balance of previous year	466,700,000.00				100,742,767.45		-1,379,142.82		53,726,195.99	299,224,106.78	919,013,927.40
Add: Change in accounting policy											
Correction of accounting errors for prior period											
Others											
II. Opening balance of current year	466,700,000.00				100,742,767.45		-1,379,142.82		53,726,195.99	299,224,106.78	919,013,927.40
<hr style="border-top: 1px dashed #000;"/>											
III. Changes during the current period (presented by a "-" sign for decrease)							-705,000.00		8,733,172.17	36,595,549.54	44,623,721.71
(I) Total comprehensive income							-705,000.00			87,331,721.71	86,626,721.71
(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									8,733,172.17	-50,736,172.17	-42,003,000.00
1. Appropriation to surplus reserve									8,733,172.17	-8,733,172.17	
2. Distribution to owners (or shareholders)											
3. Others										-42,003,000.00	-42,003,000.00
(IV) Internal transfer of owners' equity											
1. Capital reserve transferred to capital (or share capital)											
2. Surplus reserve transferred to capital (or 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											
1. Appropriation in the current period											
2. Utilized in the current period											
(VI) Others											
IV. Closing balance of current period	466,700,000.00				100,742,767.45		-2,084,142.82		62,459,368.16	335,819,656.32	963,637,649.11

The accompanying notes form an integral part of these financial statements.

Officer of the Company:

Person in charge of accounting function:

Person in charge of audit firm:



NOTES TO FINANCIAL STATEMENTS

Year 2024

I. GENERAL INFORMATION OF THE COMPANY

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) 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 held a general meeting in April 2018 and passed the resolution on comprehensive change to become a joint stock company with limited liability. As at 30 April 2018, the audited net assets of the Company 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, and all of these ordinary shares are H shares.

After the distribution of bonus shares, placing of new shares, conversion of share capital and issuance of new shares over the years, as at 31 December 2024, 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. The parent company is Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司) and the ultimate de facto controller of the Group is State-owned Assets Supervision and Administration Commission of Changchun Municipal Government.

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; for items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities).

These financial statements have been approved for issue by the Board of Directors of the Company on 28 March 2025.



NOTES TO FINANCIAL STATEMENTS

Year 2024

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of Preparation

These financial statements were prepared according to 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”). In addition, these financial statements also comply with the applicable disclosure provisions of the Listing Rules of The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

(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.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Disclaimer of Compliance with the ASBEs

These financial statements are in compliance with the ASBEs published by the Ministry of Finance and give a true and complete view of the combined financial position of the parent company as at 31 December 2024 and of its combined operating results and cash flows of the parent company for the year of 2024.

(II) Accounting Period

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

(III) Operating Cycle

The operating cycle of the Company is 12 months.

(IV) Reporting Currency

The Company adopts Renminbi ("RMB") as the reporting currency.

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

Business combinations involving entities under common control: the assets and liabilities (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) acquired by the acquirer in business combination shall be measured at the carrying amount of the assets, liabilities of the acquiree 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.

Business combinations involving entities not under common control: the cost of a business combination is the fair value of the assets paid, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for control of the acquiree at the acquisition date. 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. All identifiable assets, liabilities and contingent liabilities of the acquiree that meet the recognition criteria are measured at fair value on the acquisition date.

Directly related fees 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 or debt securities occurred for the purpose of business combination shall be included in the initial recognition amount of equity securities or debt securities.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VI) Determination Criteria of Control and Preparation Methods of Combined Financial Statements

1. Determination criteria of control

The scope of combination in the combined financial statements is determined on the basis of control and the scope of combination covers the Company and all subsidiaries. Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns.

2. Procedures of Combination

When the Company prepares combined financial statements, the whole Company is considered as a single accounting entity based on the consistent accounting policies to reflect the Company's overall financial position, operating results and cash flows. The impact of intra-group transactions between the Company and its subsidiaries and between subsidiaries is eliminated. If the intra-group transactions indicate that impairment losses have occurred on related assets, the losses are recognized in full. 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.

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.

(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 operating results and cash flows of such subsidiary or business from the beginning of period when the combination occurs to the end of the Reporting Period 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.

In connection with imposing control over the investee under common control as a result of additional investment and other reasons, 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 party and the combined party are under common control until the date when the combination occurs, and shall be written down to the opening balance of retained earnings or profit or loss for the period in the comparative reporting period.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VI) Determination Criteria of Control and Preparation Methods of Combined Financial Statements (Continued)

2. Procedures of Combination (Continued)

(1) Addition of subsidiary or business (Continued)

During the reporting period, the addition of subsidiaries or businesses as a result of a business combination not under common control is included in the consolidated financial statements from the date of acquisition based on the fair value of each identifiable asset, liability and contingent liability determined at the date of acquisition.

In connection with imposing control over the investee not under common control as a result of additional investment and other reasons, the acquiree's equity held before the 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 for the current period; if the acquiree's equity held before the acquisition date contains other comprehensive income and changes in other owner's equity under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment income for the period the acquisition date falls in.

(2) Disposal of subsidiaries

① General treatment

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. The difference between the sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the sum of the Company's previous share of the subsidiary's net assets continuously calculated since the acquisition date or the combination date at original shareholding proportion and the goodwill, is recognized in investment income in the period in which control is lost. Other comprehensive income related to the previous equity investment in the subsidiary that can be reclassified to profit or loss subsequently or changes in other owner's equity under the equity method of accounting, are transferred to investment income for the current period when control is lost.

② Step disposal of subsidiary

When disposal of equity investment in subsidiaries through multiple transactions until control is lost, generally such transactions in stages are treated as a group of transactions 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:

- i. These transactions are entered into simultaneously or taking into account the mutual effects on each other;



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VI) Determination Criteria of Control and Preparation Methods of Combined Financial Statements (Continued)

2. Procedures of Combination (Continued)

(2) Disposal of subsidiaries (Continued)

② Step disposal of subsidiary (Continued)

- ii. A complete set of commercial results can be achieved with reference to the series of transactions as a whole;
- iii. The occurrence of one transaction depends on the occurrence of at least one of other transactions;
- iv. One transaction recognized separately is not economical, but it is economical when considered together with other transactions.

If all transactions are considered as a group of transactions, these transactions shall be treated as a transaction for disposal of the subsidiary and losing control. The difference 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 are not considered as a group of transactions, accounting for partial disposal of the equity investment in the 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.

(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 the difference between the long-term equity investment arising from the purchase of minority interest and the share of net assets of the subsidiary continuously calculated since the acquisition date or the combination date at the newly increased shareholding proportion, and adjust the retained earnings if the share premium in the capital reserve is insufficient for write-down.

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

The Company shall adjust the share premium in the capital reserve of the combined balance sheet with respect to the difference between the consideration received and the share of net assets continuously calculated since the acquisition date or the combination date corresponding to the disposal of long-term equity investment, and adjust the retained earnings if the share premium in the capital reserve is insufficient for write-down.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Classification of Joint Venture Arrangements and Accounting Treatment Method for Joint Operations

The joint venture arrangements are classified as joint operation and joint venture.

Joint operation is a joint venture arrangement in which the parties to the arrangement are entitled to the assets and are liable for the liabilities associated with the arrangement.

The Company recognizes the following items related to its share of benefits in the joint operation:

- (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.

The Company's investments in joint ventures are accounted for using the equity method, as described in "III. (XIV) Long-term Equity Investments" in this note.

(VIII) Determination of Cash and Cash Equivalents

Cash is cash on hand and deposits that are available for payment at any time of the Company. Cash equivalents are investments held by the Company that are short-term, highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of change in value.

(IX) Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

1. Foreign Currency Transactions

Foreign currency transactions shall be converted into RMB at the spot exchange rate on the day when the transactions occur.

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.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(IX) Foreign Currency Transactions and Translation of Foreign Currency Financial Statements (Continued)

2. Translation of Foreign Currency Financial Statements

Assets and liabilities items in the balance sheet are translated using the spot exchange rate at the balance sheet date; items of owners' equity are translated using the spot exchange rate at the time of occurrence, except for "Undistributed Profits". Income and expense items in the income statement are translated using the spot exchange rate at the date of the transaction.

Upon disposal of a foreign operation, the difference in the translation of foreign currency financial statements relating to that foreign operation is transferred from the owner's equity to profit or loss in the period of disposal.

(X) Financial Instruments

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

1. Classification of financial instruments

The Company classifies financial assets on initial recognition as follows based on the business model of the financial assets under management and the contractual cash flow characteristics of financial assets: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.

The Company classifies financial assets that meet both of the following conditions and are not designated to be measured at fair value through profit or loss as financial assets measured at amortised cost:

- the goal of the business model is to collect contractual cash flow;
- the contractual cash flow is only the payment of principal and interest based on the outstanding principal amount.

The Company classifies financial assets that meet both of the following conditions and are not designated to be measured at fair value through profit or loss as financial assets measured at fair value through other comprehensive income (debt instrument):

- the goal of the business model is both to collect contractual cash flow and to sell the financial asset;
- the contractual cash flow is only the payment of principal and interest based on the outstanding principal amount.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

1. Classification of financial instruments (Continued)

At initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income (equity instruments) on initial recognition. This designation is made based on individual investment, and the underlying investment meets the definition of an equity instrument from the issuer's perspective.

All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities, at initial recognition, are classified into financial liabilities at fair value through profit or loss and financial liabilities measured at amortized cost.

When meeting any of the following criteria, the Company may, at initial recognition, designate a financial liability as measured at fair value through profit or loss:

- (1) Such designation would eliminate or significantly reduce accounting mismatches.
- (2) A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented enterprise risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.
- (3) The financial liability includes embedded derivatives which can be split separately.

2. Recognition basis and measurement method of financial instruments

(1) *Financial assets measured at amortized cost*

Financial assets measured at amortized cost, including bills receivable, trade receivables, other receivables, long-term receivables, and debt investments, are initially measured at fair value plus relevant transaction costs. Trade receivables that do not contain significant financing components and trade receivables that the Company has decided not to consider for a financing component of no more than one year are initially measured at the contractual transaction price.

Interest calculated under the effective interest method during the period of holding is included in profit or loss.

When recovering or disposing, the difference between the price obtained and the book value of the financial asset is included in profit or loss.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

2. Recognition basis and measurement method of financial instruments (Continued)

(2) *Financial assets (debt instruments) measured at fair value through other comprehensive income*

Financial assets (debt instruments) measured at fair value through other comprehensive income, including trade receivables financing and other debt investments, are initially measured at fair value plus relevant transaction costs. These financial assets are subsequently measured at fair value, with changes in fair value are included in other comprehensive income except for interest, impairment losses or gains and exchange gains or losses calculated using the effective interest method.

On derecognition, the accumulated gain or loss previously recognized in other comprehensive income is transferred out from other comprehensive income and recognized in profit or loss.

(3) *Financial assets (equity instruments) measured at fair value through other comprehensive income*

Financial assets (equity instruments) measured at fair value through other comprehensive income, including other equity instruments, are initially measured at fair value plus relevant transaction costs, and subsequently measured at fair value through other comprehensive income. The dividends received are included in profit or loss.

When derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to retained earnings.

(4) *Financial assets at fair value through profit or loss*

Financial assets measured at fair value through profit or loss, including held-for-trading financial assets, derivative financial assets and other non-current financial assets, are initially measured at fair value with relevant transaction costs included in profit or loss. Such financial assets are subsequently measured at fair value. Changes in fair value are recognized in profit or loss.

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

Financial liabilities measured at fair value through profit or loss, including held-for-trading financial liabilities, derivative financial liabilities, etc., are initially measured at fair value with relevant transaction costs recognized in profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in fair value are recognized in profit or loss.

On derecognition, the difference between the carrying amount and the consideration paid is recognized in profit or loss.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

2. Recognition basis and measurement method of financial instruments (Continued)

(6) *Financial liabilities measured at amortized cost*

Financial liabilities measured at amortized cost, including short term borrowings, bills payable, trade payables, other payables, long-term borrowings, bonds payable and long-term payables, are initially measured at fair value plus relevant transaction costs.

Interest calculated under the effective interest method during the period of holding is included in profit or loss.

On derecognition, the difference between the consideration paid and the carrying amount of the financial liability is recognized in profit or loss.

3. Derecognition of financial assets and recognition basis and measurement method for financial asset transfers

The Company derecognize a financial asset if it meets one of the following conditions:

- the contractual rights to receive the cash flows from the financial asset expire;
- the financial asset has been transferred, and substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee;
- the financial asset has been transferred, and the Company neither transferred nor retained substantially all rewards related to the ownership of the financial assets, but did not retain its control over the said financial assets.

If the Company revises or renegotiates the contract with the counterparty and the modification constitutes substantial modification, the original financial asset is derecognized and the new financial asset is recognized in accordance with the revised terms.

When transferring a financial asset, if the Company retains substantially all risks and rewards of ownership of the financial asset, the Company shall continue to recognize such financial asset.

When judging whether the transfer of a financial asset meets the above criteria for derecognition, the substance-over-form principle shall be applied.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

3. Derecognition of financial assets and recognition basis and measurement method for financial asset transfers (Continued)

The Company differentiates the transfer of a financial asset as full transfer or partial transfer. If the full transfer of a financial asset meets the criteria for derecognition, then the difference between the following two included in profit or loss:

- (1) the book value of the financial asset transferred;
- (2) the sum of the consideration received from the transfer and the total amount of the fair value changes that is directly charged or credited to owners' equity (if the financial asset transferred is a financial asset (debt instruments) at fair value through other comprehensive income).

When the partial transfer of a financial asset meets the criteria for derecognition, the entire book value of the financial asset transferred shall be allocated between the part derecognized and the part to be recognized based on their respective fair value, with the difference between the following two included in profit or loss:

- (1) the book value of the part that is derecognized;
- (2) the sum of the consideration attributable to the part derecognized and the total amount of the fair value changes that is directly charged or credited to owners' equity and attributable to the part derecognized (if the asset transferred is a financial asset (debt instruments) at fair value through other comprehensive income).

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

4. Derecognition of financial liabilities

If all or part of the current obligations of a financial liability have been discharged, the financial liability or part of it will be derecognized; if the Company signs an agreement with the creditor to replace the existing financial liability with new financial liability of substantially different contractual terms, the existing financial liability shall be derecognized while the new financial liability shall be recognized.

If substantial changes are made to the contractual terms (in whole or in part) of the existing financial liability, the existing financial liability (or part of it) shall be derecognized, and the financial liability after the modification of terms shall be recognized as a new financial liability.

When a financial liability is derecognized in whole or in part, the difference between the book value of the financial liability derecognized and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) shall be included in profit or loss.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

4. Derecognition of financial liabilities (Continued)

If the Company repurchases part of a financial liability, the book value of the entire financial liability is allocated between the part that continues to be recognized and the part that is derecognized on the repurchase date based on their respective relative fair value. The difference between the book value assigned to the part derecognized and the consideration paid (including the non-cash assets transferred out or the new financial liability assumed) shall be included in profit or loss.

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

As for financial instruments with an active market, their fair values are determined by quoted prices in the active market. As for financial instruments without an active market, their fair values are determined by using valuation techniques. At the time of valuation, the Company adopts valuation techniques that are applicable in the current circumstances and sufficiently supported by available data and other information, and selects inputs that are consistent with the characteristics of the assets or liabilities considered by the market participants in the transactions of the relevant assets or liabilities, and prioritises the use of relevant observable inputs. Unobservable inputs are used only if the relevant observable inputs are unavailable or not reasonably available.

6. Test method and accounting treatment of impairment of financial instruments

The Company performs impairment accounting on the basis of the expected credit losses for financial assets measured at amortized cost, financial assets (debt instruments) measured at fair value through other comprehensive income and the financial guarantee contract, etc.

The probability-weighted amount of the difference in present value between the contractual cash flow receivable from contracts and the cash flow expected to be received, weighted with the risk of default, will be measured by taking into account of reasonable and valid information on, among other things, past events, current status and the forecast of future economic conditions to recognize the expected credit losses.

For trade receivables and contract assets formed by the transactions regulated in the Accounting Standards for Business Enterprises No. 14 — Revenue whether contain significant financing components or otherwise, the Company always measures the loss provision at the amount equal to the lifetime expected credit loss.

For lease receivables formed by the transactions regulated in the Accounting Standards for Business Enterprises No. 21 — Lease, the Company chooses to always measure the loss provisions at the amount equal to the lifetime expected credit loss.

For other financial instruments, the Company assesses at each balance sheet date the changes in the credit risk of the relevant financial instrument since initial recognition.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

6. Test method and accounting treatment of impairment of financial instruments (Continued)

In determining changes in the risk of default during the expected lifetime of a financial instrument and assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition. Usually, if it is overdue for more than 30 days, the Company will consider that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence to prove that the credit risk on a financial instrument has not increased significantly since initial recognition.

For a financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk on a financial instrument has not increased significantly since the initial recognition.

If the credit risk of a financial instrument has increased significantly since the initial recognition, the Company measures the loss provisions according to the amount of the lifetime expected credit loss of the financial instrument; if the credit risk on a financial instrument has not increased significantly since the initial recognition, the Company measures the loss provisions at an amount equal to the next 12-month expected credit losses of the financial instrument. The resulting increase in or reversal of loss provision shall be included in profit or loss as impairment losses or gains. For financial assets (debt instruments) measured at fair value through other comprehensive income, the loss provision is recognized in other comprehensive income, and the impairment losses or gains shall be included in profit or loss, without reducing the book value of the financial asset as stated in the balance sheet.

If there is objective evidence that a receivable has been credit impaired, the Company shall make individual provision for the impairment of the receivable.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

6. Test method and accounting treatment of impairment of financial instruments (Continued)

In addition to the aforesaid receivables of which bad debt provision is made on an individual basis, the Company divides other financial instruments into several groups according to credit risk characteristics, and recognizes their expected credit loss on the basis of grouping. The classification and basis for determination of the groups for making provision for expected credit loss of bills receivable, trade receivables, other receivables, contract assets, etc. is as follows:

Item	Classification	Basis for determination
Group of trade receivables 1	Grouping by age — Heat supply business	Trade receivables with similar credit risk characteristics by age
Group of trade receivables 2	Grouping by age — Basic heating fee	
Group of trade receivables 3	Grouping by age — Engineering business	
Group of trade receivables 4	Grouping by age — Related party portfolio	Other receivables with similar credit risk characteristics by age
Group of other receivables 1	Grouping by age	
Group of contract assets 1	Grouping by age — Amounts completed but unsettled	
Group of contract assets 1	Grouping by age — Quality guarantee deposit	Contract assets with similar credit risk characteristics by age

Where the Company no longer reasonably expects contractual cash flows of a financial asset to be fully or partially recoverable, the book balance of the financial asset is directly written down.

(XI) Inventories

1. Classification and costs of inventories

Inventories are classified into: raw materials, turnover materials, goods in stock, etc.

Inventories are initially measured at cost, which comprises purchase costs, processing costs and other expenses incurred in bringing the inventories to their current location and condition.

2. Valuation of inventories delivered

The value of inventories is calculated on first-in-first-out basis when they are delivered.

3. Inventory system

The perpetual inventory system is adopted.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Inventories (Continued)

4. Amortization method of low-value consumables and packaging materials

- (1) Low-value consumables are amortised using the immediate write-off method;
- (2) Packaging materials are amortised using the immediate write-off method.

5. Determination criteria for and provision method of provision for inventory impairment

On the balance sheet date, inventories are stated at the lower of cost and net realisable value. When the cost of inventories is higher than their net realisable value, the provision for inventory impairment shall be made. Net realisable value is the estimated selling price of the inventories in the ordinary course of business deducting the estimated costs upon completion, the estimated selling expenses and the related taxes.

Net realisable value of held-for-sale commodity stocks, such as finished goods, goods in stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated selling prices less estimated related selling costs and taxes; the net realisable value of inventory materials, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling expenses and the related taxes from the estimated selling price of finished goods; the net realisable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realisable value of the excess part shall be calculated on the ground of general selling price.

After the provision for inventory depreciation, if the factors causing a previous write-off of inventory value has disappeared, which resulting in the net realisable value of the inventory being higher than its carrying value, the amount provided for inventory impairment is reversed and recognized in profit or loss for the period.

(XII) Contract Assets

1. Recognition methods and criteria for contract assets

The Company recognises contract assets or contract liabilities in the balance sheet based on the relationship between the fulfillment of performance obligations and customer payments. Contract Asset refers to the Company's right to receive consideration for the goods transferred or services provided to the customer and which is determined depending on other factors beyond the passage of time. Contract assets and contract liabilities under the same contract shall be shown on a net basis. The right of the Company to receive consideration from the customer unconditionally (only depends on the time elapse) is listed as a receivable separately.

2. Determination method and accounting treatment of the expected credit losses of contract assets

For details of determination method and accounting treatment of the expected credit loss of contract assets, please refer to Note "(X) — 6. Test method and accounting treatment of impairment of financial instruments".



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Held-for-sale and Discontinued Operation

1. Held-for-sale

Assets that are primarily recovered through sale (including non-monetary asset exchanges with commercial substance) rather than through continued use of a non-current asset or a disposal group, are classified 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. The approval has been obtained according to relevant regulations that require the approval of relevant authorities or regulatory departments of the Company before the sale.

For non-current assets (excluding the assets resulting from financial assets, deferred income tax assets and salaries) or disposal groups that are classified as held-for-sale, if their carrying amounts are higher than the net fair value less sale costs, the carrying amounts 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.

2. Discontinued operation

Discontinued operations are a component that meet one of the following conditions and are distinguishable separately. The component has been disposed or classified by the Company as held-for-sale:

- (1) represents a separate major line of business or geographical area of operations;
- (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and
- (3) is a subsidiary acquired exclusively with a view to resale.

Profit and loss from continuing operations and discontinued operations shall be shown separately in the income statement. The impairment loss from discontinued operations, returned amount and other profits and losses from operations and disposal shall be reported as profit or loss from discontinued operations. For discontinued operations in the current period, the Company lists the information originally recognized as profit or loss from continuing operations as the profit or loss from discontinued operations in the comparable accounting period.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Long-term Equity Investments

1. Criteria for determination of common control and significant impact

Common control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company and other investors exert common control over the investee and the Company is entitled to net assets of the investee, the investee is the joint venture of the Company.

Significant impact refers to the power to participate in making decisions on the financial and operating policies of an investee, but not to control or jointly control together with other parties over the formulation of these policies. Where the Company is able to have significant influences on an investee, the investee is its associate of the Company.

2. Determination of initial investment cost

(1) *Long-term equity investments arising from business combination*

For long-term equity investments in subsidiaries arising from business combinations under common control, the initial investment cost thereof shall be recognized at the share of carrying amount of the shareholders' equity of the acquiree in the consolidated financial statements of the ultimate controller on the acquisition date. The capital premium in the capital reserve is adjusted according to the difference between the initial investment cost of long-term equity investment and the carrying amount of consideration. If the capital premium in the capital reserves is insufficient to cover the difference, the retained earnings shall be adjusted. In case the Company can exercise control over the investee under common control for additional investment or other reasons, the share premium will be adjusted at the difference between the initial investment cost of long-term equity investment recognized in accordance with the above principles and the sum of the carrying amount of long-term equity investment before the combination plus the carrying amount of the new consideration paid for further acquisition of shares on the combination date. If the share premium is insufficient to offset, retained earnings will be offset.

For long-term equity investment as a result of business combination not under common control, the Company determines the combination cost determined on the purchase date as the initial investment cost of long-term equity investment. Where additional investment or other reasons make the control over the investee not under the same control possible, the initial investment cost will be the sum of the carrying amount of the equity investments previously held and the newly increased investment costs.

(2) *Long-term equity investments obtained through other means beyond business combination*

Initial investment cost of long-term equity investment obtained through cash payment is determined by the actual consideration paid.

Initial investment cost of long-term equity investment obtained through issuance of equity securities is determined by the fair value of the equity securities issued.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Long-term Equity Investments (Continued)

3. Subsequent measurement and profit or loss recognition

(1) *Long-term equity investment accounted for by cost method*

Long-term equity investments in subsidiaries are accounted for using cost method unless the investments meet the conditions of held-for-sale. Except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains is recognised for the current period as the Company's share of the cash dividends or profits declared by the investee.

(2) *Long-term equity investment accounted for by equity method*

Long-term equity investments in associates and joint ventures are accounted for using equity method. Where the initial investment cost of a long-term equity investment exceeds the Company's share of the fair value of the investee's identifiable net assets, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets, the difference shall be charged to profit or loss for the period and the cost for long-term equity investment shall be adjusted.

The Company recognises the investment income and other comprehensive income according to its shares of net profit or loss and other comprehensive income realised by the investee respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments. The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity ("Other Changes of Owner's Equity") except for net profits and losses, other comprehensive income and profit distribution of the investee, the carrying value of longterm equity investment shall be adjusted and included in owner's equity.

The Company's share of net profit or loss, other comprehensive income and Other Changes of Owner's Equity of an investee is determined based on the fair value of identifiable assets of the investee at the time when the investment is obtained, and according to the accounting policies and accounting period of the Company, recognition shall be made to the net profit of the investee and other comprehensive income after the adjustment.

The Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company according to the corresponding ratio and recognize the profit or loss on investments on such basis except that the assets invested or sold constitute business. Where the losses from internal transactions between the Company and the investee fall into the scope of assets impairment loss, the full amount of such losses should be recognized.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Long-term Equity Investments (Continued)

3. Subsequent measurement and profit or loss recognition (Continued)

(2) Long-term equity investment accounted for by equity method (Continued)

The Company discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that is in substance forms part of the Company's net investment in the associate or the joint venture is reduced to zero, except to the extent that the Company has an obligation to assume additional losses. Where net profits are subsequently made by the associate or joint venture, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(3) Disposal of long-term equity investments

When long-term equity investments are disposed of, the difference between the carrying amount and the actual proceeds received should be charged to profit or loss for the period.

For the certain long-term equity investment treated under the equity method, where the remaining equity continues to be accounted for using the equity method, the other comprehensive income previously recognised under the equity method shall be transferred in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Other Changes of Owner's Equity shall be transferred in proportion into profit or loss for the period.

When the Group loses the control or material influence over the investee due to disposal of equity investment and other reasons, for other comprehensive income recognised in the original equity investment due to the adoption of equity method, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. Other Changes of Owner's Equity shall be transferred into the profit or loss for the period when ceasing to use the equity method.

When the Group loses the control over the investee due to partially disposal of equity investment and other reasons, the remaining equity interest after disposal shall be accounted for under equity method in preparation of separate financial statements provided that joint control or material influence over the investee can be imposed and shall be adjusted as if such remaining equity interest had been accounted for under the equity method since being obtained. The other comprehensive income previously recognised before obtaining the control over the investee shall be transferred in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. Other Changes of Owner's Equity recognised as a result of the adoption of the equity method shall be transferred to the profit or loss for the period on pro rata basis. Where the remaining equity interest after disposal cannot exercise joint control or exert material influence over the investee, it shall be recognised as financial asset, and the difference between fair value and the carrying value on the date of losing control shall be included in profit or loss for the period. All the other comprehensive income and Other Changes of Owner's equity recognised before obtaining the control over the investee shall be transferred.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Long-term Equity Investments (Continued)

3. Subsequent measurement and profit or loss recognition (Continued)

(3) Disposal of long-term equity investments (Continued)

For disposal of the equity investment in a subsidiary in stages by multiple transactions resulting in the loss of control, where the Company accounts for a package deal, accounting treatment shall be conducted for all transactions as the equity investment for disposal of a subsidiary and the transaction in the loss of control. In the individual consolidated financial statements, the differences between the consideration disposed and the corresponding carrying value of long-term equity investment of the disposed equity in each transaction prior to the loss of control shall be recognised in other comprehensive income first and transferred to the profit or loss for the period when the parent eventually loses control over the subsidiary. Where the no package deal is accounted for, accounting treatment shall be conducted for each transaction individually.

(XV) 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 (including buildings after self-completion of construction or development for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future).

Subsequent expenses related to investment properties are included in the cost of the investment properties when their economic benefits are likely to flow into the group and their costs can be measured reliably; or such expenses are included in profit or loss for the period at the time of incurrence.

The cost model will be adopted by the Company to measure the current investment properties. Investment properties measured under the cost model — buildings for rent — are depreciated using the same depreciation policy as the Company's fixed assets, and land use rights for rent are amortised using the same amortisation policy as intangible assets.

(XVI) Fixed Assets

1. Recognition and initial measurement of fixed assets

Fixed assets refer to tangible assets held for the production of merchandise, 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.

Fixed assets are initially measured at cost (and taking into account the effect of estimated costs of disposal).



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Fixed Assets (Continued)

1. Recognition and initial measurement of fixed assets (Continued)

For subsequent expenses related to fixed assets, if the related economic benefits are likely to flow into the enterprise and its cost could be reliably measured, such expenses are included in the cost of the fixed asset; and the carrying amount of the replaced part will be derecognised. All other subsequent expenses are included in profit or loss for the period upon occurrence.

2. Method of depreciation

The depreciation of fixed assets is classified and made on the average years of life, with the depreciation rate determined according to the types of fixed asset, the expected useful life and the estimated net residual value rate. 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. If the life of each component of the fixed asset is different or provides economic benefits to the enterprise in different ways, different depreciation rates or depreciation methods are used for separate depreciations.

The method of depreciation, year of depreciation, residual rate 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	3.20
Machinery and equipment	Straight-line basis	2-16	4	6.00-48.00
Electronic equipment	Straight-line basis	5	4-5	19.00-19.20
Transportation equipment	Straight-line basis	6-10	4-5	9.50-16.00
Office equipment	Straight-line basis	5	4	19.20
Network equipment	Straight-line basis	16	4	6.00

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

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) Construction 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, borrowing 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.

(XVIII) 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, investment properties and inventories that require a considerable amount of time for construction or production to reach the expected usable or saleable condition.

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.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Borrowing Expenses (Continued)

2. Capitalization period of borrowing expenses (Continued)

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, non-monetary 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.

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.

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 capitalization ratio and capitalized amount of borrowing expenses

For special-purpose borrowings borrowed for the purpose of constructing or producing assets eligible for capitalization, the amount of borrowing costs capitalized is determined by the actual borrowing costs incurred during the period of the special-purpose borrowings, less the amount of interest income earned on the unused borrowing funds deposited in the bank or the amount of investment income earned on the temporary investments.

For normal borrowings borrowed for the purpose of constructing or producing assets eligible for capitalization, 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-purpose borrowings multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on the weighted average effective interest rate of the normal borrowings.

Exchange differences arising from the principal and interest on special-purpose foreign-currency borrowings are capitalized and included in the cost of assets eligible for capitalization during the period in which they are capitalized. Exchange differences arising from the principal of and interest on foreign-currency borrowings other than special-purpose foreign-currency borrowings are included in profit or loss for the current period.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Intangible Assets

1. Valuation of intangible assets

(1) *The intangible assets of the Company are initially measured at cost*

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.

(2) *Subsequent measurement*

The useful life of intangible assets is determined at the time of acquisition.

Intangible asset with a limited life is amortized over the term which it brings economic benefit to the Company. 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, and will not be amortized.

2. Estimated service life of intangible asset with a limited service life

Item	Estimated service life	Amortization method	Basis for determination of estimated service life
Software	5–10 years	Amortized by straight-line basis	Estimated term of bringing economic benefit to the Company
Land use right	30–50 years	Amortized by straight-line basis	Useful life as stipulated in the land use rights certificates
Patent	10 years	Amortized by straight-line basis	Estimated term of bringing economic benefit to the Company

3. Specific criteria in dividing the research stage and development stage

The expenses for the internal research and development projects of the Company is divided into the expenses during the research stage and the expenses during the development stage.

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.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Intangible Assets (Continued)

4. Specific criteria of capitalization for expenses during the development stage

The expenses incurred during the research stage are included in the profit or loss for the period on incurrence. The expenses during the development stage are recognized as intangible asset when the below conditions are met. The expenses during the development stage that do not comply with the below conditions are included in the profit or loss for the period on incurrence:

- (1) it is technically feasible to complete the intangible asset to bring it to useable or saleable conditions;
- (2) there is an 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.

If it is impossible to distinguish between expenses during the research stage and expenses during the development stage, all R&D expenditures incurred will be included in the profit or loss for the period on incurrence.

(XX) Impairment of Long-term Assets

Long-term assets such as long-term equity investments, investment properties measured using the cost model, fixed assets, construction in progress, right-of-use assets, intangible assets with a limited life, and oil and gas assets, if there are indicators of impairment on the balance sheet date, shall be subject to impairment test. If the impairment test results indicate that the recoverable amount of the asset is lower than its carrying value, an impairment provision will be recognized for the difference and included in impairment losses. The recoverable amount is the higher of the net amount of the fair value of an asset less the disposal expenses and the present value of the estimated future cash flows of the asset. The impairment provision for assets is calculated and recognized on an individual asset basis. Where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount is determined based on the asset group to which the asset belongs. An asset group is the smallest group of assets that can generate independent cash inflows.

Goodwill arising from business combinations, intangible assets with indefinite life, and intangible assets that are not yet ready for use, regardless of whether there are indications of impairment, shall be subject to impairment test at least at the end of each year.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XX) Impairment of Long-term Assets (Continued)

The Company will conduct impairment test for goodwill. For goodwill arising from business combinations, the carrying value will be allocated to the relevant asset groups using a reasonable method from the date of acquisition. If it is difficult to allocate to the relevant asset groups, it will be allocated to the relevant combination of asset groups. The relevant asset groups or combination of asset groups are those that can benefit from the synergies of the 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 combination 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 on the asset groups or combination of asset groups containing goodwill, and compare their carrying value with the recoverable amount. Where the recoverable amount is lower than the carrying value, the impairment loss will first reduce the carrying value of goodwill allocated to the asset groups or combination of asset groups, and then proportionately reduce the carrying value of other assets in the asset groups or combination of asset groups, based on the carrying value of those other assets excluding goodwill.

Once the impairment loss for the above assets is recognized, it will not be reversed in subsequent accounting periods.

(XXI) Long-term Deferred Expenditures

Long-term deferred expenditures refer to expenses that have already been spent but should be borne by the Company in the current and future periods and are apportioned over a period of more than one year.

The amortization period and method for these expenses are as follows:

Item	Amortization method	Amortization period
Renovation fees	Straight-line method	5

(XXII) Contract Liabilities

The Company presents contract assets or contract liabilities on the balance sheet based on the relationship between the fulfillment of performance obligations and customer payments. Contract Liabilities refer to the Company's obligation to transfer goods or provide services to customers in exchange for the consideration received or receivable. Contract assets and contract liabilities under the same contract are presented at net amounts.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) Employee Remuneration

1. Accounting treatment for short-term remuneration

During the accounting period when employees render services to the Company, the Company recognizes the short-term remuneration actually incurred as liabilities and includes them into the profit or loss for the period or cost of related assets.

The Company calculates the corresponding employee remuneration for social insurance and housing provident fund contributions made for employees, as well as union fund and staff education fund deducted according to regulations, based on the prescribed accrual basis and accrual rate during the accounting period in which employees render services to the Company.

Employee welfare incurred by the Company will be recognized in the profit or loss for the period or costs of related assets based on actual amounts at the time of occurrence, with non-monetary benefits measured at fair value.

2. Accounting treatment for post-employment benefits

(1) *Defined contribution plan*

The Company pays basic pension contribution and unemployment insurance for employees according to local government regulations. During the accounting period in which employees render services to the Company, the payable amounts will be calculated based on the local prescribed contribution base and rate, recognized as liabilities, and included in the profit or loss for the period or costs of related assets. In addition, the Company participates in enterprise annuity plans/supplementary pension funds approved by relevant national departments. The Company contributes a certain percentage of the total employee wages to the annuity plan/local social insurance institution, and the corresponding expenditure is included in the profit or loss for the period or costs of related assets.

(2) *Defined benefit plan*

The Company allocates the benefit obligations arising from the defined benefit plan to the period during which the employees provide services, based on the formula determined by the expected cumulative benefit unit method, and includes these amounts in the profit or loss for the period or costs of related assets.

The deficit or surplus formed by the present value of the obligations under the defined benefit plan minus the fair value of the assets under the defined benefit plan is recognized as a net liability or net asset of the defined benefit plan. If there is a surplus in the defined benefit plan, the Company measures the net asset of the defined benefit plan at the lower of the surplus of the defined benefit plan and the asset ceiling.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) Employee Remuneration (Continued)

2. Accounting treatment for post-employment benefits (Continued)

(2) Defined benefit plan (Continued)

All obligations under the defined benefit plan, including those expected to be paid within twelve months after the end of the annual reporting period in which employees provide services, are discounted based on the market yield of government bonds or high-quality corporate bonds in active markets that match the currency and term of the obligations under the defined benefit plan on the balance sheet date.

The service cost arising from the defined benefit plan and the net interest of the net liability or net asset of the defined benefit plan are included in the profit or loss for the period or costs of related assets; changes resulting from the remeasurement of the net liability or net asset of the defined benefit plan are included in other comprehensive income and will not be reclassified to profit or loss in subsequent accounting periods. Upon termination of the original defined benefit plan, the portion previously included in other comprehensive income will be fully transferred to retained earnings within equity.

Upon settlement of the defined benefit plan, the difference between the present value of the obligations under the defined benefit determined on the settlement date and the settlement price will be recognized as a settlement gain or loss.

3. Accounting treatment of termination benefits

When the Company provides termination benefits to employees, it recognizes the employee compensation liabilities arising from the termination benefits and includes them in the current period's profit or loss on the earlier of the following two dates: when the Company cannot unilaterally withdraw the termination benefits provided due to the labor-relation termination plan or the downsizing proposal; when the Company recognizes the costs or expenses related to the restructuring involving the payment of termination benefits.

4. Accounting treatment of 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

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) Estimated Liabilities

The Company shall recognise the obligations related to contingencies as estimated liabilities, when all the following conditions are satisfied:

- (1) The obligation is a present obligation of the Company;
- (2) It is probable that an outflow of economic benefits from the Company will be required to settle the obligation;
- (3) The amount of the obligation can be measured reliably.

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 expenses required have a successive range, 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. In other cases, the best-estimate amount is determined as follows:

- For a contingent event involving a single item, it is determined based on the most likely amount to occur.
- For a contingent event involving multiple items, it is determined by calculating based on various possible outcomes and the relevant probabilities.

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.

The Company reviews the carrying amount of the provisions at the balance sheet date. Where there is conclusive evidence indicating that the carrying amount does not reflect the current best-estimate amount, the carrying amount shall be adjusted to the current best-estimate amount.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Share-based Payments

The share-based payments of the Company are transactions in which equity instruments are granted or liabilities determined based on equity instruments are assumed in order to obtain services provided by employees or other parties. The Company's share-based payments included equity-settled share-based payments and cash settled share-based payments.

1. Equity-settled share-based payment and equity instruments

Equity-settled share-based payment in exchange for services provided by employees 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. For share-based payment transactions where the rights can only be exercised after the employees have completed the services during the vesting period or met the specified performance conditions after the grant, on each balance sheet date within the vesting period, the Company, based on the best estimate of the number of equity instruments that are expected to vest, recognizes the services obtained during the current period as relevant costs or expenses at the fair value on the grant date, and increases the capital reserve accordingly.

If the terms of an equity-settled share-based payment are modified, the services obtained shall be recognized at least as if the terms had not been modified. In addition, any modification that increases the fair value of the equity instruments granted or any change that is beneficial to the employees on the modification date shall be recognized as an increase in the services obtained.

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. However, if new equity instruments are granted and it is determined on the grant date of the new equity instruments that the new equity instruments granted are used to replace the cancelled equity instruments, the replacement equity instruments granted shall be accounted for in the same way as the modification of the terms and conditions of the original equity instruments.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Share-based Payments (Continued)

2. Cash-settled share-based payment and equity instruments

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. For share-based payment transactions where the right to exercise can only be obtained after completing the services during the vesting period or meeting the specified performance conditions after the grant, on each balance sheet date within the vesting period, the Company, based on the best estimate of the exercisability, recognizes the services obtained during the current period as relevant costs or expenses at the fair value of the liabilities it assumes, and correspondingly recognizes them as liabilities. On each balance sheet date before the settlement of the relevant liabilities and on the settlement date, the fair value of the liabilities is re-measured, and the changes are recognized in the current period's profit or loss.

If the Company modifies the terms and conditions of a cash-settled share-based payment agreement to make it an equity-settled share-based payment, on the modification date (whether it occurs within the vesting period or after the end of the vesting period), the Company measures the equity-settled share-based payment at the fair value of the equity instruments granted on that day, recognizes the services already obtained in the capital reserve, and at the same time ceases to recognize the liabilities recognized for the cash-settled share-based payment as of the modification date. The difference between the two is recognized in the current period's profit or loss. If the vesting period is extended or shortened due to the modification, the Company conducts accounting treatment in accordance with the modified vesting period.

(XXVI) Income

1. Accounting policies adopted for revenue recognition and measurement

The Company recognizes revenue when it satisfies a performance obligation in a contract, i.e., when the customer obtains control of the related goods or services. Obtaining control of the related goods or services means having the ability to direct the use of the goods or services and obtain substantially all of the economic benefits therefrom.

If a contract contains two or more performance obligations, at the beginning of the contract, the Company allocates the transaction price to each single performance obligation based on the relative proportion of the stand-alone selling prices of the goods or services promised in each single performance obligation. The Company measures revenue based on the transaction price allocated to each single performance obligation.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Income (Continued)

1. Accounting policies adopted for revenue recognition and measurement (Continued)

The transaction price is the amount of consideration that the Company expects to be entitled to collect for the transfer of goods or services to its customers, excluding payments collected on behalf of third parties and amounts expected to be refunded to the customer. The Company determines the transaction price in accordance with the terms of the contract and its past customary practices, and considers the impact of variable consideration, the existence of significant financing components in the contract, non-cash consideration, and consideration payable to customers in determining the transaction price. The Company determines the transaction price that includes variable consideration by an amount that does not exceed the amount for which it is highly probable that there will be no material reversal of the cumulative recognized revenue when the relevant uncertainty is removed. Where the contract contains a significant financing component, the Company determines the transaction price as the amount payable assuming that a customer would have paid in cash upon obtaining the control of the goods or services. The difference between the transaction price and the consideration of the contract is amortized using the effective interest method over the contract term.

The performance obligations are discharged over time if any of the following condition has been met, otherwise are discharged at a particular point in time:

- customers obtain and consume the economic benefits from the performance by the Company of its obligations at the time of performance.
- customers are able to control the goods under development in the process of performance by the Company of its obligations.
- the goods generated in the course of performance by the Company of its obligations has irreplaceable use and the Company has the right to receive payment for the part of obligations which have been performed during the whole contractual term.

For the contract obligations performed within a certain period of time, the Company shall recognize the revenue in accordance with the progress of the obligation performance during that time, except when the progress of performance cannot be reasonably determined. The Company considers the nature of the goods or services and adopts the output method or the input method to determine the fulfillment progress of the performance. When the performance progress cannot be reasonably determined, the incurred cost expected to be compensated is recognised by the Company as revenue, until the performance progress can be reasonably determined.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Income (Continued)

1. Accounting policies adopted for revenue recognition and measurement (Continued)

For the performance obligations to be fulfilled at a point in time, the Company recognises revenue when the customer has obtained the control over the relevant goods or services. In determining whether customers have obtained control over goods or services, the Company considers the following:

- The Company has the right to receive payment for the goods or services immediately; i.e. the customer has the obligation to make payment for the goods immediately.
- The Company has transferred the legal title of goods to the customer, i.e. the customer has possessed the legal title of the goods.
- The Company has physically transferred the goods to the customer, i.e. the customer has taken physical possession of the goods.
- The Company has transferred to the customer the principal risks and rewards of ownership of the goods, i.e., the customer has acquired the principal risks and rewards of ownership of the goods.
- The customer has accepted the goods or services, etc.

Based on whether the Company has control over the goods or services before transferring the goods or services to the customer, the Company determines whether it is the primary responsible party or the agent when engaging in transactions. If the Company is able to control the goods or services before transferring them to the customer, the Company is the primary responsible party and recognizes revenue based on the total amount of consideration received or receivable; otherwise, the Company is the agent and recognizes revenue based on the amount of the commission or service fee to which it is expected to be entitled.

2. Disclosure of specific revenue recognition and measurement methods by business type

(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.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Income (Continued)

2. Disclosure of specific revenue recognition and measurement methods by business type (Continued)

(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 Company 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).

(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.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Contract Costs

Contract costs include the contract performance cost and the contract obtainment cost.

The cost incurred by the Company to perform a contract, which is not applicable to the scope of regulation of relevant standards such as inventory, fixed assets or intangible assets, shall be recognised as an asset as contract performance cost when the following conditions are met:

- The cost is directly related to a current or expected contract.
- This cost increases the resources that the Company will use to fulfill its performance obligations in the future.
- The cost is expected to be recovered.

If the incremental cost of the Company is expected to be recovered, the contract acquisition cost is recognized as an asset.

Assets related to contract cost are amortized on the basis for the recognition of revenue from goods or services relevant to such assets; however, if the amortization period of contract acquisition cost is less than one year, the Company will include such cost in the current profit or loss when it occurs.

When the carrying amount of the assets related to contract cost is higher than the difference between the following two items, the Company shall make provision for impairment in excess of the assets and shall consider the impairment loss of the assets as follows:

1. The residual consideration that expect to be obtained for transferring goods or services related to the asset;
2. The cost estimated to be incurred for transferring the relevant goods or services.

If the factors of impairment in the previous period change, so that the above differences are higher than the carrying amount of the asset, the impairment provision previously accrued is transferred back to the current profit and loss. 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.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Government Grants

1. Classification

Government grants refer to monetary and non-monetary assets received from the government without compensation, which 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.

The specific criteria for the Company to classify government grants as related to assets are as follows: When the approval documents of government grants clearly indicate that the subsidies are used for the purchase, construction, or otherwise formation of long-term assets.

The specific criteria for the Company to classify government grants as related to income are as follows: When the approval documents of government grants clearly indicate that the subsidies are used for situations other than the purchase, construction, or otherwise formation of long-term assets.

For government grants where the objects of the subsidies are not clearly specified in the government documents, the following methods are adopted to classify the subsidy funds into government grants related to income and government grants related to assets: (1) When the government documents clearly define the specific project to which the subsidy is directed, the classification is made according to the relative proportion of the expenditure amount that will form assets and the expenditure amount that will be included in expenses in the budget of the specific project. This classification proportion needs to be reviewed at each balance sheet date and changed if necessary; (2) When the purpose stated in the government documents is only a general description and no specific project is specified, it shall be regarded as a government subsidy related to income.

2. Time of recognition

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Government Grants (Continued)

3. Accounting treatment

For government grants related to assets, they are used to reduce the carrying value of the relevant assets or recognized as deferred income. If recognized as deferred income, they are amortized into the current profit or loss in a reasonable and systematic manner over the useful life of the relevant assets (if related to the Company's daily activities, they are recorded in other income; if not related to the Company's daily activities, they are recorded in non-operating income).

For government grants related to income, if they are used to compensate for the Company's relevant costs, expenses or losses in future periods, they are recognized as deferred income and, in the period when the relevant costs, expenses or losses are recognized, are included in the current profit or loss (if related to the Company's daily activities, they are recorded in other income; if not related to the Company's daily activities, they are recorded in non — operating income) or used to offset the relevant costs, expenses or losses; if they are used to compensate for the Company's relevant costs, expenses or losses that have already occurred, they are directly included in the current profit or loss (if related to the Company's daily activities, they are recorded in other income; if not related to the Company's daily activities, they are recorded in non-operating income) or used to offset the relevant costs, expenses or losses.

The Company accounts for policy-based preferential loan interest subsidies in the following two situations respectively:

- (1) When the finance department allocates the interest subsidy funds to the lending bank, and the lending bank provides loans to the Company at a policy — based preferential interest rate, the Company records the borrowing at the actual amount of the loan received and calculates the relevant borrowing costs based on the principal of the loan and the policy — based preferential interest rate.
- (2) When the finance department directly allocates the interest subsidy funds to the Company, the Company offsets the corresponding interest subsidy against the relevant borrowing costs.

(XXIX) Deferred Tax Assets and Deferred Tax Liabilities

Income tax includes current income tax and deferred income tax. The Group recognizes current income tax and deferred income tax in the profit or loss for the current period, except for the income tax arising from business combinations and transactions or events directly included in owners' equity (including other comprehensive income).

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.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIX) Deferred Tax Assets and Deferred Tax Liabilities (Continued)

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be carried forward to the next year, deferred tax assets shall be recognized to the extent that it is probable that future taxable income will be available to offset the deductible losses and tax credits.

Save for exceptions, deferred tax liabilities shall be recognized for the taxable temporary difference.

The exceptions for not recognition of deferred tax assets or liabilities include:

- the initial recognition of the goodwill;
- transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur, and in which the initial recognition of assets and liabilities do not result in equal amounts of taxable temporary differences and deductible temporary difference.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable income will be available in the future against which the temporary differences can be utilised, the deferred tax assets are recognised.

At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled in accordance with the provisions of the tax laws.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed by the Group. The carrying amount of deferred tax assets is written down if it is more likely that sufficient taxable income will not be available against which the benefit of the deferred tax assets can be utilized in future periods. To the extent that it is probable that sufficient taxable income will be available, the written down amount is reversed.

When the Group has a legally enforceable right to set off and intends either to settle on a net basis or to acquire the income tax asset and settle the income tax liability simultaneously, current income tax assets and current income tax liabilities shall be presented as the net amount after offsetting.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIX) Deferred Tax Assets and Deferred Tax Liabilities (Continued)

At the balance sheet date, deferred tax assets and deferred tax liabilities are presented as net of offsetting amounts when both of the following conditions are met:

- The taxable entity has the legal right to settle current income tax assets and current income tax liabilities on a net basis;
- Deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxable entity or on different taxable entities, but in each future period in which it is significant that the deferred tax assets and liabilities reverse, the taxable entities involved intend to settle the current income tax assets and liabilities on a net basis or acquire the assets and settle the liabilities at the same time.

(XXX) Leases

A lease is a contract whereby, within a certain period of time, the lessor gives the right to use the assets to the lessee in order to obtain consideration. The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Where the contract contains multiple lease components, the lessee and the lessor shall separate the lease components and account for each individual lease component separately. Where the contract includes both the lease and the non-lease component, the lessee and the lessor shall separate the lease and non-lease components.

1. The Company as lessee

(1) *Right-of-use assets*

At the beginning of the lease term, the Company recognizes right-to-use assets for leases other than short-term leases and leases of low-value assets. The right-to-use assets are initially measured at cost. This cost includes:

- Initial measurement amount of lease liabilities;
- 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;
- Initial direct expenses incurred by the Company;
- 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.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Leases (Continued)

1. The Company as lessee (Continued)

(1) *Right-of-use assets (Continued)*

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Impairment losses of right-of-use assets are determined and accounted for in accordance with the accounting policy described in Note “III. (20) Impairment of Long-term Assets”.

(2) *Lease liabilities*

At the beginning of the lease term, the Company recognizes lease liabilities for leases other than short-term leases and leases of low-value asset lease. Lease liabilities are initially measured at the present value of the unpaid lease payments. Lease payments include:

- Fixed payments (including substantive fixed payments), less any lease incentives if applicable;
- Variable rental payments depending on index or ratio;
- The amount expected to be paid based on the residual value of the guarantee provided by the Company.
- The exercise price of the purchase option, provided that the Company reasonably certain to exercise the purchase option;
- Payments to be made for exercising the option to terminate the lease, provided that the lease term reflects that the Company will exercise the option to terminate the lease.

The Company uses the interest rate implicit in the lease as the discount rate, or the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

The Company calculates interest expenses of lease liabilities for each period of the lease term based on fixed periodic rate, and recognizes such expenses in profit or loss or cost of related assets.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Leases (Continued)

1. The Company as lessee (Continued)

(2) *Lease liabilities (Continued)*

Variable lease payments not included in the measurement of lease liabilities shall be charged to the profit and loss or the cost of related assets when they are actually incurred.

Subsequent to the commencement date of the lease term, if any of the following circumstances occur, the Company remeasures the lease liability and adjusts the corresponding right-to-use asset. If the carrying amount of the right-to-use asset has been reduced to zero but further reduction of the lease liability is still required, the difference is recognized in the current profit or loss:

- When there is a change in the evaluation results or actual exercise of the purchase option, lease renewal option or termination option, the Company remeasures the lease liability based on the changed lease payments and the revised discount rate;
- When there is a change in substantive fixed payments, the estimated amount payable of the guaranteed residual value, or the index or rate used to determine lease payments, the Company remeasures the lease liability based on the changed lease payments and the original discount rate. However, if the change in lease payments is due to a change in a floating rate, the updated discount rate is used to calculate the present value.

(3) *short-term lease and lease of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, in this case, the lease payments associated with these leases shall be recognised in current profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term. Short-term leases represent those that have a lease term of 12 months or less at the commencement date of the lease term and do not include purchase options. While lease of low-value asset refer to individual lease asset with a relatively low value when it is new. The Company classifies lease of individual asset with a value not exceeding RMB40,000.00 when it is new as a lease of low-value asset. Where the Company subleases or intends to sublease the leased asset, the original lease shall not be classified as a lease of low-value asset.

(4) *Lease Change*

If the lease changes and meets the following conditions, the Company will account for the lease change as a separate lease:

- The lease change expands the lease scope by increasing the right to use one or more leased assets;
- The increased consideration and the individual price of the enlarged portion of the lease are equivalent to the amount adjusted for the contract.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Leases (Continued)

1. The Company as lessee (Continued)

(4) Lease Change (Continued)

If the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Company reallocates the consideration of the modified contract, re-determines the lease term, and remeasures the lease liability based on the present value calculated by the changed lease payments and the revised discount rate.

If the lease change results in a narrower lease or a shorter lease term, the Company proportionally reduces the carrying amount of the right-of-use asset and recognizes any gain or loss related to the partial or full termination of the lease in the current profit or loss. For other lease changes that require remeasurement of the lease liability, the Company adjusts the carrying amount of the right-of-use asset accordingly.

(XXXI) Segment Reporting

The Company determines operating segments based on the internal organizational structure, management requirements and internal reporting system, and determines its reportable segments and discloses segment information on the basis of operating segments.

Each of the Company's operating segments is a component that meets all the following criteria: (1) the component generates income and incur expenses in daily activities; (2) the management of the Company 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 for the Company. Two or more operating segments are consolidated into one operating segment if they have similar economic characteristics and meet certain conditions.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Determination Methodology and Selection Basis of Materiality Criteria

Items	Materiality Criteria
Significant receivables for allowance for bad debts provided on individual basis	Trade receivables balance \geq RMB10 million
Significant recovery or reversal of bad debt provision for trade receivables	The amount of single recovery or reversal \geq RMB10 million out of the total amount of various receivables
Significant receivables written-off in the current period	The amount of single written-off \geq RMB10 million out of the total bad debt provision for various accounts receivables
Significant trade receivables and other receivables	Individual trade payable/other payable with an ageing of more than one year accounts for more than 2% of the total trade payables/other payables and the amount is greater than RMB10 million
Significant construction in progress	The increase in the current period of a single construction project in progress \geq RMB5 million

(XXXIII) Major accounting estimates and judgments

The Company continuously evaluates its important accounting estimates and key judgments applied based on historical experience and other factors, including reasonable expectations of future events.

Important accounting estimates and key assumptions

The following important accounting estimates and key assumptions involve significant risks that could lead to material adjustments to the carrying amounts of assets and liabilities in the next accounting year.

(1) *Impairment of financial instruments*

The management of the Company measures the loss allowance for accounts receivable at an amount equivalent to the expected credit losses over their entire durations. The major accounting estimates and judgments involved mainly include: for accounts receivable for which credit losses are determined on an individual asset basis, the expected credit losses of accounts receivable are estimated mainly by combining the historical collection situations of relevant customers, the credit ratings of relevant customers, the changes in credit risks, and forward-looking information; for accounts receivable for which credit losses are determined using an impairment matrix on a portfolio basis, accounts receivable are mainly divided into different portfolios based on common credit risk characteristics. The historical loss rates of accounts receivable are calculated by combining historical loss situations. Estimates and judgments are made on whether the historical loss rates can represent the possible loss situations under the economic environment conditions during the credit risk exposure period of accounts receivable, and reasonable estimates are made on the adjustment ratios of historical loss rates by combining forward-looking information to determine the credit loss rates of portfolios with different risk characteristics. This involves significant accounting estimates and judgments, and thus involves uncertainties.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIII) Major accounting estimates and judgments (Continued)

Important accounting estimates and key assumptions (Continued)

(2) *Impairment of non-current assets other than financial assets (excluding goodwill)*

The Company assesses at the balance sheet date whether there are any indications of possible impairment for non-current assets other than financial assets. For intangible assets with indefinite useful lives, in addition to the annual impairment tests, impairment tests are also carried out when there are indications of impairment. For other non-current assets other than financial assets, impairment tests are performed when there are indications that their carrying amounts may not be recoverable. An impairment loss occurs when the carrying amount of an asset or a cash-generating unit is higher than its recoverable amount, which is the higher of the net amount obtained from fair value less disposal costs and the present value of estimated future cash flows. The net amount of fair value less disposal costs is determined by referring to the sales agreement price of similar assets in arm's-length transactions or observable market prices, less incremental costs directly attributable to the disposal of the asset. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the asset or cash-generating unit and select an appropriate discount rate to determine the present value of future cash flows.

(3) *Useful lives of fixed assets*

The Company depreciates fixed assets over their estimated useful lives after considering their residual values. The Company regularly reviews the estimated useful lives and residual values of relevant assets to determine the amount of depreciation expense to be recognized in each reporting period. The useful lives and residual values of assets are determined by the Company based on past experience with similar assets, combined with expected technological changes, market condition changes, and actual wear and tear. If there are significant changes in previous estimates, adjustments to the depreciation expense will be made in future periods.

(4) *Provision for inventory write down based on net realizable value*

Inventory write down provisions are made for the difference between the cost of inventory and its net realizable value. The Company estimates the net realizable value of inventory. This estimate requires comprehensive consideration of the age of inventory, the existence of obsolete or damaged inventory, the estimated selling price of inventory, and the estimated costs to completion, selling expenses, and relevant taxes. When the actual selling price or costs and expenses of inventory differ from previous estimates, management will make corresponding adjustments to the net realizable value. Therefore, the results of estimates based on existing experience may differ from subsequent actual results, which may lead to significant adjustments to the carrying amount of inventory in the balance sheet.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIV) Changes in Significant Accounting Policies and Accounting Estimates

1. Changes in Significant Accounting Policies

(1) *Implementation of Interpretation No. 17 of the Accounting Standards for Business Enterprises*

On 25 October 2023, the MOF issued the Interpretation No. 17 of the Accounting Standards for Business Enterprises [Cai Kuai [2023] No. 21, hereafter referred to as the “Interpretation No. 17”).

① Division between current liabilities and non-current liabilities Interpretation No. 17 clarifies that:

- Where a company does not have a substantive right at the balance sheet date to defer settlement of a liability for more than one year after the balance sheet date, the liability should be classified as the current liability.
- For liabilities arising from a company’s loan arrangement, the enterprise’s right to defer settlement of the liability for more than one year after the balance sheet date may depend on its performance of covenants as stipulated in the loan arrangement (hereinafter referred to as the “Covenants”). The company should only consider the Covenants that are to be complied with at or prior to the balance sheet date when determining the existence of a substantive right to defer settlement of the liability, without considering the Covenants to be complied with by the company after the balance sheet date.
- The settlement of liabilities when classifying liabilities as current or non-current refers to the transfer of cash and other economic resources (such as goods or services) by a company to its counterparty, or a company releases its liabilities by means of its own equity instruments. In circumstances where the terms of the liabilities result in a company to settle its liabilities by delivering its own equity instruments at the option of the counterparty, if the company classifies the above option as an equity instrument in accordance with the provisions of the “Accounting Standards for Business Enterprises No. 37—Presentation of Financial Instruments” which is also recognized separately as an equity component of a compound financial instrument, such term will not affect the classification of liabilities as current or non-current.

The provision of the Interpretation is effective from 1 January 2024, and companies should adjust the comparable period information in accordance with the provision of the Interpretation when implementing the provision for the first time. The implementation of the provision does not have a significant impact on the Company’s financial position and results of operations.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIV) Changes in Significant Accounting Policies and Accounting Estimates (Continued)

1. Changes in Significant Accounting Policies (Continued)

(1) *Implementation of Interpretation No. 17 of the Accounting Standards for Business Enterprises (Continued)*

② Disclosures regarding supplier financing arrangements

Interpretation No. 17 requires that when making note disclosures, the company should summarise and disclose information relating to supplier financing arrangements to assist users of the statements in assessing the impact of those arrangements on the company's liabilities, cash flows and the exposure to liquidity risk. The impact of supplier financing arrangements should also be considered when identifying and disclosing information about liquidity risk. This disclosure requirement applies only to supplier financing arrangements. The supplier financing arrangement shall have the following characteristics: one or more financing providers provide funds for the account payables to the supplier for the company with an agreement that it shall repay the financing provider on or after the day the payment is received by its supplier in accordance with the terms and conditions of the arrangement. The supplier financing arrangement extends the company's payment period as compared to the original payment due date, or shortens the supplier's collection period.

The provision of the Interpretation is effective from 1 January 2024, and companies are not required to disclose information relating to the comparable period and certain opening information when implementing the provision for the first time. The implementation of the provision does not have a significant impact on the Company's financial position and results of operations.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIV) Changes in Significant Accounting Policies and Accounting Estimates (Continued)

1. Changes in Significant Accounting Policies (Continued)

(1) *Implementation of Interpretation No. 17 of the Accounting Standards for Business Enterprises (Continued)*

③ Accounting treatment related to sale-leaseback transactions (Continued)

Interpretation No. 17 stipulates that a lessee, when subsequently measuring a lease liability arising from a sale-leaseback, shall not determine the lease payments or variable lease payments in a manner that would result in the recognition of gains or losses related to the right of use obtained from the leaseback. When an enterprise implements this provision for the first time, it shall make retrospective adjustments for sale-leaseback transactions conducted after the date of initial implementation of ASBE No. 21 — Leases.

The provision of the Interpretation is effective from 1 January 2024, allowing enterprises to implement it earlier from the year of issuance. The Company implemented such provisions from 1 January 2024. The implementation of such provisions has not had a material impact on the Company's financial position and results of operations.

(2) *Implementation of "Interim Provisions on Accounting Treatment Related to Enterprise Data Resources"*

On 1 August 2023, the Ministry of Finance issued the Interim Provisions on Accounting Treatment Related to Enterprise Data Resources (Cai Kuai [2023] No. 11), which applies to the accounting treatment related to data resources that are recognized as assets, such as intangible assets or inventories in compliance with the relevant provisions of the ASBE, as well as data resources legally owned or controlled by an enterprise, which are expected to bring economic benefits to the enterprise, but do not satisfy the conditions for recognition of an asset and are not recognized, and sets out the specific requirements for disclosure of data resources.

Such provisions took effect on 1 January 2024, and enterprises shall adopt the prospective application method. Expenditures related to data resources that have been expensed to profit or loss prior to the implementation of such provisions shall no longer be adjusted. The implementation of such provisions has not had a material impact on the Company's financial position and results of operations.



NOTES TO FINANCIAL STATEMENTS

Year 2024

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIV) Changes in Significant Accounting Policies and Accounting Estimates (Continued)

1. Changes in Significant Accounting Policies (Continued)

- (3) *Implementation of provisions of Interpretation of ASBE No. 18—“Accounting Treatment Related to Assurance-type Warranty That Is Not Individual Performance Obligation (關於不屬於單項履約義務的保證類質量保證的會計處理)”*

On 6 December 2024, the Ministry of Finance issued Interpretation of ASBE No. 18 [Cai Kuai [2024] No. 24, hereinafter referred to as “Interpretation No. 18”), which took effect from the date of publication, allowing enterprises to implement it earlier from the year of issuance.

Interpretation No. 18 stipulates that when accounting for estimated liabilities arising from assurance-type warranty that is not individual performance obligation, the amount of estimated liabilities determined in accordance with relevant provisions of ASBE No. 13 — Contingencies shall be debited to “Costs of principal operating business”, “Costs of other businesses” and other accounts, credited to the account of “Estimated liabilities”, and accordingly presented in “Operating costs” in the income statement and “Other current liabilities”, “Non-current liabilities due within one year”, “Estimated liabilities” and other items in statement of financial position.

If the assurance-type warranty is originally included in “Selling expenses”, the enterprise shall make retrospective adjustments in accordance with changes in the accounting policy when implementing the provisions of the interpretation for the first time. The implementation of such provisions has not had a material impact on the Company’s financial position and results of operations.

2. Changes in key accounting estimates

There was no change in key accounting estimates during the Reporting Period.

IV. TAXATION

(I) Main Types of Taxes and Corresponding Rates

Tax type	Basis of taxation	Tax rate
Value-added tax (“VAT”)	The VAT payable is the difference between output tax (calculated based on sales of goods and taxable service income under the tax laws) and the deductible input tax for the current period	13%, 9%, 6%, 5%, 3%
City maintenance and construction tax	Levied on the basis of VAT and consumption tax actually paid	7%
Education surcharge	Levied on the basis of VAT and consumption tax actually paid	3%
Local education surcharge	Levied on the basis of VAT and consumption tax actually paid	2%
Enterprise income tax	Levied on the basis of taxable profits	25%, 20%, 15%



NOTES TO FINANCIAL STATEMENTS

Year 2024

IV. TAXATION (Continued)

(I) Main Types of Taxes and Corresponding Rates (Continued)

Disclosure statement of taxable entities subject to different enterprise income tax rates

Name of tax-paying entities	Income tax rate
Jilin Province Chuncheng Heating Company Limited*	25%
Jilin Province Changre Maintenance Service Company Limited*	25%
Changchun City Runfeng Construction Installation Engineering Company Limited*	25%
Jilin Province Changre Pipelines Transmission Company Limited*	25%
Jilin Province Heating Engineering Design and Research Company Limited*	15%, effective tax rate 5%
Jilin Province Changre Electrical Apparatus Company Limited*	15%, effective tax rate 5%
Jilin Province Chuncheng Biomass Power Co., Ltd.*	25%
Changchun Yatai Heating Co., Ltd.*	25%
Jilin Province Xixing Energy Limited*	25%
Jilin Province Hengxin Electricity Co. Ltd.*	20%, effective tax rate 5%
Jilin Chuncheng Clean Energy Company Limited*	20%, effective tax rate 5%

(II) Preferential Tax

1. VAT:

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 "Announcement on the Ministry of Finance and the State Administration of Taxation on the Renewal of Tax Policies for Heat Supply Enterprises" (Cai Shui [2023] No. 56) 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 are as follows: I. heat supply fee income generated by heat supply enterprises for heat supplied to individual residents shall be exempted from VAT and the implementation period of the announcement shall extend to the end of the heat supply period in 2027.



NOTES TO FINANCIAL STATEMENTS

Year 2024

IV. TAXATION (Continued)

(III) Preferential Tax (Continued)

2. Enterprise 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 of the People’s Republic of China” (《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 and subject to corporate income tax at a tax rate of 15%. On 2 August 2023, the Ministry of Finance and the State Administration of Taxation jointly issued the “Announcement on Tax and Fee Policies to Further Support the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households” (Announcement No. 12 of 2023 of the Ministry of Finance and the State Administration of Taxation) (《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》)(財政部稅務總局公告2023年第12號)), which stipulated that small and micro-profit enterprises shall calculate their taxable income at a reduced rate of 25% and pay corporate income tax at a rate of 20%, and such policy would continue to be implemented until 31 December 2027.



NOTES TO FINANCIAL STATEMENTS

Year 2024

IV. TAXATION (Continued)

(III) Preferential Tax (Continued)

2. Enterprise income tax (Continued)

(2) Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱電氣儀錶有限公司)

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 of the People's Republic of China (《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 29 November 2023, which is valid for three years. On 2 August 2023, the Ministry of Finance and the State Administration of Taxation jointly issued the "Announcement on Tax and Fee Policies to Further Support the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households" (Announcement No. 12 of 2023 of the Ministry of Finance and the State Administration of Taxation) (《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》)(財政部 稅務總局公告2023年第12號)), which stipulated that small and micro-profit enterprises shall calculate their taxable income at a reduced rate of 25% and pay corporate income tax at a rate of 20%, and such policy would continue to be implemented until 31 December 2027.



NOTES TO FINANCIAL STATEMENTS

Year 2024

IV. TAXATION (Continued)

(III) Preferential Tax (Continued)

2. Enterprise income tax (Continued)

(3) *Jilin Province Hengxin Electricity Co. Ltd.* (吉林省恒信售電有限公司)*

On 2 August 2023, the Ministry of Finance and the State Administration of Taxation jointly issued the "Announcement on Tax and Fee Policies to Further Support the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households" (Announcement No. 12 of 2023 of the Ministry of Finance and the State Administration of Taxation) (《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》(財政部稅務總局公告2023年第12號)), which stipulated that small and micro-profit enterprises shall calculate their taxable income at a reduced rate of 25% and pay corporate income tax at a rate of 20%, and such policy would continue to be implemented until 31 December 2027.

(4) *Jilin Chuncheng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司)*

On 2 August 2023, the Ministry of Finance and the State Administration of Taxation jointly issued the "Announcement on Tax and Fee Policies to Further Support the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households" (Announcement No. 12 of 2023 of the Ministry of Finance and the State Administration of Taxation) (《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》(財政部稅務總局公告2023年第12號)), which stipulated that small and micro-profit enterprises shall calculate their taxable income at a reduced rate of 25% and pay corporate income tax at a rate of 20%, and such policy would continue to be implemented until 31 December 2027.

3. Other taxes

According to the Notice on the Renewal of Tax Policies for Heat Supply Enterprises" (Cai Shui [2023] No. 56) (《關於延續實施供熱企業有關稅收政策的公告》財稅[2023]56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" were announced as follows: II. 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. The notice shall be in force until the end of the heat supply period in 2027.



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS

(I) Monetary Fund

Item	Closing balance	Balance at the end of last year
Bank deposits	1,449,174,167.52	1,111,041,609.91
Other monetary fund	6,600,000.00	6,600,000.00
Total	1,455,774,167.52	1,117,641,609.91
Of which: Total amount of overseas funds	659,651.58	643,739.51

The breakdown of the restricted monetary funds is as follows:

Item	Closing balance	Balance at the end of last year
Performance deposit	6,600,000.00	6,600,000.00



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(III) Trade receivables

1. Disclosure of the ageing of trade receivables based on billing date

Ageing	Closing balance	Balance at the end of last year
Within 1 year	240,784,530.94	108,515,193.83
1 to 2 years	50,660,189.88	25,904,931.63
2 to 3 years	16,463,637.23	26,135,489.12
3 to 4 years	18,091,660.10	10,775,292.73
4 to 5 years	8,163,363.23	9,625,560.60
Over 5 years	17,834,792.54	14,581,959.35
Sub-total	351,998,173.92	195,538,427.26
Less: Provision for bad debts	59,544,145.46	50,053,724.63
Total	292,454,028.46	145,484,702.63



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(III) Trade receivables (Continued)

2. Disclosure of trade receivables based on classification of provision method for bad debts

Category	Closing balance				Balance at the end of last year			
	Carrying balance		Provision for bad debts		Carrying balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Amount	Proportion (%)	Amount	Proportion of provision (%)
Provision for bad debts on an individual basis								
Provision for bad debts using portfolios with similar credit risk features	351,998,173.92	100.00	59,544,145.46	16.92	292,454,028.46	195,538,427.26	100.00	50,053,724.63
Of which:								
Portfolio of ageing								
— Heat supply business	142,618,498.78	40.52	12,424,919.86	8.71	130,193,578.92	58,036,201.75	29.68	9,373,604.22
Portfolio of ageing								
— Basic heating fee	34,555,515.43	9.82	6,632,629.08	19.19	27,922,886.35	31,308,281.76	16.01	6,356,690.01
Portfolio of ageing								
— Engineering business	74,762,607.84	21.24	30,490,120.33	40.78	44,272,487.51	74,516,321.57	38.11	32,343,807.18
Related party portfolio	100,061,551.87	28.42	9,996,476.19	9.99	90,065,075.68	31,677,622.18	16.20	1,979,623.22
Total	351,998,173.92	100.00	59,544,145.46	16.92	292,454,028.46	195,538,427.26	100.00	50,053,724.63



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(II) Trade receivables (Continued)

2. Disclosure of trade receivables based on classification of provision method for bad debts (Continued)

Provision for bad debts using portfolios with similar credit risk features:

(1) Portfolio of ageing — Heat supply business:

Name	Trade receivables	Closing balance Provision for bad debts	Proportion of provision (%)
Within 1 year	124,381,098.61	5,024,996.38	4.04
1–2 years	9,049,281.34	2,001,701.03	22.12
2–3 years	2,099,220.95	680,987.27	32.44
3–4 years	2,120,144.89	1,008,976.95	47.59
4–5 years	2,948,525.79	1,688,031.03	57.25
Over 5 years	2,020,227.20	2,020,227.20	100.00
Total	142,618,498.78	12,424,919.86	

(2) Portfolio of ageing — Basic heating fee:

Name	Trade receivables	Closing balance Provision for bad debts	Proportion of provision (%)
Within 1 year	10,052,477.76	603,148.67	6.00
1–2 years	9,305,368.76	730,471.44	7.85
2–3 years	6,123,339.27	663,769.97	10.84
3–4 years	4,824,704.88	733,837.61	15.21
4–5 years	464,359.74	116,136.37	25.01
Over 5 years	3,785,265.02	3,785,265.02	100.00
Total	34,555,515.43	6,632,629.08	



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(II) Trade receivables (Continued)

2. Disclosure of trade receivables based on classification of provision method for bad debts (Continued)
Provision for bad debts using portfolios with similar credit risk features: (Continued)

(3) Portfolio of ageing — Engineering business:

Name	Trade receivables	Closing balance	Proportion of provision (%)
		Provision for bad debts	
Within 1 year	20,553,535.23	1,609,341.80	7.83
1–2 years	18,610,501.65	4,293,442.74	23.07
2–3 years	7,671,982.61	2,904,612.62	37.86
3–4 years	11,146,810.33	5,968,002.25	53.54
4–5 years	4,750,477.70	3,685,420.60	77.58
Over 5 years	12,029,300.32	12,029,300.32	100.00
Total	74,762,607.84	30,490,120.33	

3. Provision in the current period, provision for bad debts recovered or reversed

Category	Closing balance of previous year	Movement during the current period				Closing balance
		Provision	Recovered or reversed	Charge-off or write-off	Other changes	
Aging portfolio — Heat supply business	9,373,604.22	7,170,682.44	3,745,862.33	373,504.47		12,424,919.86
Aging portfolio — Basic heating fee	6,356,690.01	796,157.23	506,883.70	13,334.46		6,632,629.08
Aging portfolio — Engineering business	32,343,807.18	4,072,390.90	5,437,662.44	488,415.31		30,490,120.33
Related party portfolio	1,979,623.22	9,842,538.04	1,799,383.30	26,301.77		9,996,476.19
Total	50,053,724.63	21,881,768.61	11,489,791.77	901,556.01		59,544,145.46



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(II) Trade receivables (Continued)

4. Particulars of the top five trade receivables and contract assets at the end of the period

Name	Closing balance of trade receivables	Closing balance of contract assets	Closing balance of trade receivables and contract assets	Percentage to the total closing balance of trade receivables and contract assets at the end of the period (%)	Closing balance of provision for bad debts on trade receivables and impairment provision for contract assets
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	79,469,837.07	16,583,188.83	96,053,025.90	21.99	9,415,711.02
China State Construction Railway Investment & Engineering Group Co., Ltd.* (中建鐵路投資建設集團有限公司)	13,102,103.07	32,343,162.22	45,445,265.29	10.40	27,022,774.66
Datang Changchun No.2 Thermal Power Co., Ltd.* (大唐長春第二熱電有限責任公司)	28,353,131.20		28,353,131.20	6.49	1,145,466.50
Heilongjiang Shengrong Energy Co., Ltd.* (黑龍江勝融能源有限公司)	23,369,340.03		23,369,340.03	5.35	944,121.34
Road & Bridge International Co., Ltd.* (中交路橋建設有限公司)	16,035,745.31	2,915,669.43	18,951,414.74	4.34	8,473,458.43
Total	160,330,156.68	51,842,020.48	212,172,177.16	48.57	47,001,531.95



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(III) Prepayment

1. Prepayments by ageing

Ageing	Closing balance		Closing balance of previous year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	691,200,774.37	99.30	558,451,271.88	99.67
1 to 2 years	4,825,644.63	0.69	118,838.87	0.02
2 to 3 years	26,444.29	0.01	157,775.00	0.03
Over 3 years			1,553,425.02	0.28
Total	696,052,863.29	100.00	560,281,310.77	100.00

2. Particulars of the top five prepayments at the end of the period

Receivers of prepayments	Closing balance	Percentage to the total closing balance of prepayments at the end of the period (%)
Datang Changchun No.2 Thermal Power Co., Ltd.* (大唐長春第二熱電有限責任公司)	208,667,956.09	29.98
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	177,032,646.00	25.43
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)	133,501,623.99	19.18
Huaneng Jilin Energy Sales Co., Ltd.* (華能吉林能源銷售有限公司)	128,264,663.94	18.43
Huawei Cloud Computing Technology Co., Ltd.* (華為雲計算技術有限公司)	12,135,636.89	1.74
Total	659,602,526.91	94.76



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(IV) Other Receivables

Item	Closing balance	Closing balance of previous year
Other receivables	143,150,344.45	19,880,079.38
Total	143,150,344.45	19,880,079.38

1. Other Receivables

(1) Disclosure based on ageing

Ageing	Closing balance	Closing balance of previous year
Within 1 year	150,330,525.35	16,231,601.58
1 to 2 years	10,723,352.46	13,876,570.19
2 to 3 years	7,945,152.84	4,186,730.11
3 to 4 years	152,000.00	50,000.00
4 to 5 years	50,000.00	38,217.92
Over 5 years	1,471,769.66	1,591,551.74
Sub-total	170,672,800.31	35,974,671.54
Less: Provision for bad debts	27,522,455.86	16,094,592.16
Total	143,150,344.45	19,880,079.38



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(IV) Other Receivables (Continued)

1. Other Receivables (Continued)

(2) Disclosure based on classification of provision method for bad debts

Category	Closing balance				Balance at the end of last year				
	Carrying balance		Provision for bad debts		Carrying amount	Carrying balance		Provision for bad debts	
	Proportion		Proportion			Proportion		Proportion	
	Amount	(%)	Amount	of provision (%)		Amount	(%)	Amount	of provision (%)
Provision for bad debts									
on individual basis	9,150,016.04	5.36	9,150,016.04	100.00		9,150,016.04	25.43	9,150,016.04	100.00
Provision for bad debts by portfolio of credit risk characteristics	161,522,784.27	94.64	18,372,439.82	11.37	143,150,344.45	26,824,655.50	74.57	6,944,576.12	25.89
Of which:									
Ageing portfolio	161,522,784.27	94.64	18,372,439.82	11.37	143,150,344.45	26,824,655.50	74.57	6,944,576.12	25.89
Total	170,672,800.31	100.00	27,522,455.86	16.13	143,150,344.45	35,974,671.54	100.00	16,094,592.16	44.74



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(IV) Other Receivables (Continued)

1. Other Receivables (Continued)

(2) Disclosure based on classification of provision method for bad debts (Continued)

Provision for bad debts by portfolio of credit risk characteristics:

Provision by portfolio:

Item	Other receivables	Closing balance	Proportion of provision (%)
		Provision for bad debts	
Within 1 year	150,330,525.35	15,920,002.66	10.59
1 to 2 years	10,723,352.46	2,078,185.70	19.38
2 to 3 years			
3 to 4 years	152,000.00	72,960.00	48.00
4 to 5 years	50,000.00	34,385.00	68.77
Over 5 years	266,906.46	266,906.46	100.00
Total	161,522,784.27	18,372,439.82	



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(IV) Other Receivables (Continued)

1. Other Receivables (Continued)

(3) Particulars of provision for bad debts

Provision for bad debts	Stage one 12-months ECL	Stage two Lifetime ECL (not credit impaired)	Stage three Lifetime ECL (credit impaired)	Total
Closing balance of previous year	6,944,576.12		9,150,016.04	16,094,592.16
Closing balance of previous year 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	15,833,681.79			15,833,681.79
Reversal in the current period	123,582.04			123,582.04
Charge-off in the current period	4,282,236.05			4,282,236.05
Written-off in the current period				
Other changes				
Closing balance	18,372,439.82		9,150,016.04	27,522,455.86



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(IV) Other Receivables (Continued)

1. Other Receivables (Continued)

(4) Changes in the carrying balance of other receivables are as follows:

Carrying balance	Stage one 12-months ECL	Stage two Lifetime ECL (not credit impaired)	Stage three Lifetime ECL (credit impaired)	Total
Closing balance of previous year	26,824,655.50		9,150,016.04	35,974,671.54
Closing balance of previous year during the current period which				
— transferred to stage two				
— transferred to stage three				
— reversed to stage two				
— reversed to stage one				
Increase during the current period	149,015,527.92			149,015,527.92
Derecognition during the current period	14,317,399.15			14,317,399.15
Other changes				
Closing balance	161,522,784.27		9,150,016.04	170,672,800.31

(5) Provision in the current period, provision for bad debts reversed or recovered

Category	Closing balance of previous year	Movement during the current period				Closing balance
		Provision	Recovered or reversed	Charge-off or write-off	Other changes	
Provision for bad debts on individual basis	9,150,016.04					9,150,016.04
Ageing portfolio	6,944,576.12	15,833,681.79	123,582.04	4,282,236.05		18,372,439.82
Total	16,094,592.16	15,833,681.79	123,582.04	4,282,236.05		27,522,455.86



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(IV) Other Receivables (Continued)

1. Other Receivables (Continued)

(6) Classification by nature of the amount

Nature of the amount	Carrying balance at the end of the period	Carrying balance at the end of previous year
Guarantee	1,292,000.00	167,000.00
Petty money	539,192.70	527,579.33
Current account payment	157,929,525.05	30,664,099.31
Others	10,912,082.56	4,615,992.90
Total	170,672,800.31	35,974,671.54

(7) Particulars of the top five other receivables by debtors at the end of the period

Name	Nature of the amount	Closing balance	Ageing	Percentage to the total closing balance of other receivables at the end of the period (%)	Closing balance of provision for bad debts
Changchun Urban Pipeline Construction Investment (Group) Co., Ltd.* (長春城市管線建設投資(集團)有限公司)	Current account payment	138,000,000.00	Within 1 year	80.86	14,614,200.00
Changchun Gaoxin Construction Group Company Limited* (長春高欣建設集團有限公司)	Current account payment	10,692,000.00	1-2 years	6.26	2,072,109.60
Jilin Hongfu Real Estate Development Co., Ltd.* (吉林省弘富房地產開發有限責任公司)	Others	8,945,856.16	Within 1 year	5.24	947,366.17
Jilin Yatai (Group) Co., Ltd.	Current account payment	7,945,152.84	Over 5 years	4.66	7,945,152.84
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	0.71	1,204,863.20
Total		166,787,872.20		97.73	26,783,691.81



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(V) Inventories

1. Classification of inventories

Category	Closing balance			Closing balance of previous year		
	Carrying balance	Provision for decline in value of inventories/ Impairment provision for contract performance cost	Carrying amount	Carrying balance	Provision for decline in value of inventories/ Impairment provision for contract performance cost	Carrying amount
Raw materials	15,369,317.92	7,909,921.42	7,459,396.50	11,376,725.46	6,221,771.86	5,154,953.60
Inventories	1,517,210.36	212,131.43	1,305,078.93	1,531,601.59		1,531,601.59
Revolving materials	24,071.39		24,071.39	26,840.44		26,840.44
Total	16,910,599.67	8,122,052.85	8,788,546.82	12,935,167.49	6,221,771.86	6,713,395.63

2. Provision for decline in value of inventories and impairment provision for contract performance cost

Category	Closing balance of previous year	Increase during the current period		Decrease during the current period		Closing balance
		Provision	Others	Reversal or charge-off	Others	
Raw materials	6,221,771.86	1,823,712.85		135,563.29		7,909,921.42
Inventories		212,131.43				212,131.43
Total	6,221,771.86	2,035,844.28		135,563.29		8,122,052.85



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(VI) Contract Assets

1. Particulars of contract assets

Item	Closing balance			Closing balance of previous year		
	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount
Amounts completed but unsettled	72,582,153.28	34,642,465.38	37,939,687.90	113,514,374.22	52,143,556.18	61,370,818.04
Quality guarantee deposit	12,203,778.86	3,179,451.57	9,024,327.29	9,533,356.68	5,788,926.87	3,744,429.81
Total	84,785,932.14	37,821,916.95	46,964,015.19	123,047,730.90	57,932,483.05	65,115,247.85

2. Amount and reasons for significant changes in carrying amount during the Reporting Period

Items	Amount of change	Reason for changes
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	12,017,146.87	New business
China Railway 9th Bureau 4th Engineering Co., Ltd.* (中鐵九局集團第四工程有限公司)	-20,137,519.00	Settlement was made
Management Department of Jilin Railway "Three Supplies and One Industry" Phase II Renovation Project China Railway 9th Bureau Group Co., Ltd.* (中鐵九局集團有限公司吉林省鐵路「三供一業」二期改造工程项目經理部)	-7,321,074.78	Settlement was made
Changchun Metro Co., Ltd.* (長春市地鐵有限責任公司)	-7,043,869.75	Settlement was made
Road & Bridge International Co., Ltd.* (中交路橋建設有限公司)	-5,822,716.50	Settlement was made
China Railway 14th Bureau Group Changchun Engineering Co., Ltd.* (中鐵十四局集團長春工程有限公司)	-4,049,845.99	Settlement was made
Total	-32,357,879.15	



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(VI) Contract Assets

3. Contract assets classified and disclosed by provision of impairment

Category	Closing balance					Closing balance of previous year				
	Carrying balance		Impairment provision			Carrying balance		Impairment provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount
Impairment provision on individual basis										
Impairment provision by portfolio of credit risk characteristics	84,785,932.14	100.00	37,821,916.95	44.61	46,964,015.19	123,047,730.90	100.00	57,932,483.05	47.08	65,115,247.85
Of which:										
Amounts completed but unsettled	72,582,153.28	85.61	34,642,465.38	47.73	37,939,687.90	113,514,374.22	92.25	52,143,556.18	45.94	61,370,818.04
Quality guarantee deposit	12,203,778.86	14.39	3,179,451.57	26.05	9,024,327.29	9,533,356.68	7.75	5,788,926.87	60.72	3,744,429.81
Total	84,785,932.14	100.00	37,821,916.95	44.61	46,964,015.19	123,047,730.90	100.00	57,932,483.05	47.08	65,115,247.85



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(VI) Contract Assets (Continued)

3. Contract assets classified and disclosed by provision of impairment (Continued)

Impairment provision by portfolio of credit risk characteristics:

Name	Contract assets	Closing balance Impairment provision	Proportion of provision (%)
Amounts completed but unsettled	72,582,153.28	34,642,465.38	47.73
Quality guarantee deposit	12,203,778.86	3,179,451.57	26.05
Total	84,785,932.14	37,821,916.95	

4. Particulars of impairment provision for contract assets during the current period

Item	Closing balance of previous year	Movement during the current period			Other changes	Closing balance
		Provision for the current period	Reversal for the current period	Charge-off/ write-off for the current period		
Amounts completed but unsettled	52,143,556.18	6,089,397.32	23,573,058.76	17,429.36		34,642,465.38
Quality guarantee deposit	5,788,926.87	901,518.49	580,419.39	2,930,574.40		3,179,451.57
Total	57,932,483.05	6,990,915.81	24,153,478.15	2,948,003.76		37,821,916.95



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(VII) Other current assets

Item	Closing balance	Closing balance of previous year
Input tax to be deducted	13,409,358.49	13,486,610.48
Prepayment of enterprise income tax	13,282,514.63	13,496,039.36
Input tax pending verification	6,928,930.83	
Total	33,620,803.95	26,982,649.84

(VIII) Fixed Assets

1. Fixed assets and liquidation of fixed assets

Item	Closing balance	Closing balance of previous year
Fixed assets	850,266,318.15	897,056,268.51
Liquidation of fixed assets		
Total	850,266,318.15	897,056,268.51



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(VIII) Fixed Assets (Continued)

2. Particulars of fixed assets

Item	Property and buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Pipeline network	Office equipment	Total
1. Original carrying amount							
(1) Closing balance of previous year	78,713,256.05	674,194,181.48	19,005,075.73	69,003,582.96	1,961,037,397.33	2,219,085.71	2,804,172,579.26
(2) Increase during the current period	24,459,826.71	49,713,671.64	1,663,296.25	10,273,270.93	9,498,668.73	27,247.49	95,635,981.75
— Addition	14,004,326.29	23,263,595.64	1,663,296.25	9,125,126.23		27,247.49	48,083,591.90
— Transfer from construction in progress		26,450,076.00		1,148,144.70	9,498,668.73		37,096,889.43
— Increase from other causes	10,455,500.42						10,455,500.42
(3) Decrease during the current period		23,062,038.30	2,064,206.25	2,378,835.65	198,019.51	403,043.20	28,106,142.91
— Disposal or retirement		23,062,038.30	2,064,206.25	2,378,835.65	198,019.51	403,043.20	28,106,142.91
(4) Closing balance	103,173,082.76	700,845,814.82	18,604,165.73	76,898,018.24	1,970,338,046.55	1,843,290.00	2,871,702,418.10
2. Accumulated depreciation							
(1) Closing balance of previous year	35,741,123.39	473,004,411.77	14,146,726.41	55,352,241.54	1,321,790,752.12	1,872,291.87	1,901,907,547.10
(2) Increase during the current period	2,573,003.09	40,341,884.61	1,008,591.01	5,518,759.79	82,886,061.81	50,344.51	132,378,644.82
— Provision	2,573,003.09	40,341,884.61	1,008,591.01	5,518,759.79	82,886,061.81	50,344.51	132,378,644.82
(3) Decrease during the current period		19,695,992.24	1,981,638.00	2,256,774.84	190,098.73	385,833.81	24,510,337.62
— Disposal or retirement		19,695,992.24	1,981,638.00	2,256,774.84	190,098.73	385,833.81	24,510,337.62
(4) Closing balance	38,314,126.48	493,650,304.14	13,173,679.42	58,614,226.49	1,404,486,715.20	1,536,802.57	2,009,775,854.30
3. Impairment provision							
(1) Closing balance of previous year		5,181,249.75		957.28	26,556.62		5,208,763.65
(2) Increase during the current period		6,542,373.71			7,115.24		6,549,488.95
— Provision		6,542,373.71			7,115.24		6,549,488.95
(3) Decrease during the current period		92,112.44		957.28	4,937.23		98,006.95
— Disposal or retirement		92,112.44		957.28	4,937.23		98,006.95
(4) Closing balance		11,631,511.02			28,734.63		11,660,245.65
4. Carrying amount							
(1) Closing carrying amount	64,858,956.28	195,563,999.66	5,430,486.31	18,283,791.75	565,822,596.72	306,487.43	850,266,318.15
(2) Closing carrying amount of previous year	42,972,132.66	196,008,519.96	4,858,349.32	13,650,384.14	639,220,088.59	346,793.84	897,056,268.51



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(VIII) Fixed Assets (Continued)

3. Fixed assets which do not have certificates of title

Item	Carrying amount	Reasons for not having certificates of title
Property and buildings	0.00	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 RMB0 as at 31 December 2024 and has no certificates of title 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 certificate of title, which made it unable to be processed for certificate of title.
Property and buildings	16,526,201.19	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 RMB16,526,201.19 as at 31 December 2024, with no certificate of title; The land on which the building is located have not yet be processed for certificate of title.
Property and buildings	12,075,892.33	The carrying amount of plant fences, boiler plants, pumping stations, chimneys and coal storage yard of Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司), a subsidiary of the Company, was presented at RMB12,075,892.33 as at 31 December 2024, with no certificate of title; The land on which the building is located have not yet be processed for certificate of title.



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(IX) Construction in progress

1. Construction in progress and construction materials

Item	Closing balance			Closing balance of previous year		
	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount
Construction in progress	44,027,479.06	162,606.17	43,864,872.89	2,783,301.34	162,606.17	2,620,695.17
Construction materials	16,653,425.73	6,905,414.36	9,748,011.37	19,582,286.18	6,905,414.36	12,676,871.82
Total	60,680,904.79	7,068,020.53	53,612,884.26	22,365,587.52	7,068,020.53	15,297,566.99

2. Particulars of construction-in-progress

Item	Closing balance			Closing balance of previous year		
	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount
Plot BGH Heat Exchange Unit (BGH地塊換熱機組)	1,103,662.57		1,103,662.57	1,103,662.57		1,103,662.57
Ultra-low Emission Transformation Project of Boiler Plant (鍋爐房超低排放改造項目)	38,548,047.26		38,548,047.26			
Intelligentized Reconstruction Project (Phase I) for Heating Facilities (供熱設施智能化改造項目一期工程)	2,913,872.22		2,913,872.22	202,074.88		202,074.88
Others	1,461,897.01	162,606.17	1,299,290.84	1,477,563.89	162,606.17	1,314,957.72
Total	44,027,479.06	162,606.17	43,864,872.89	2,783,301.34	162,606.17	2,620,695.17



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(IX) Construction in progress (Continued)

3. Movements in material construction-in-progress during the current period

Project name	Budget (RMB10'000)	Closing balance of previous year	Increase during the current period	Transferred to fixed assets during the current period	Other decrease during the current period	Closing balance	Percentage of cumulative inputs over budget (%)	Construction progress (%)	Accumulated amount of interest capitalised	Of which: Interest capitalized during the current period	Interest Capitalisation rate for the current period (%)	Source of fund
Ultra-low Emission Transformation Project (超低排放改造項目)	9,953.00		38,548,047.26			38,548,047.26	38.73	95.00				Self-financing
Pipeline Project of Changchun University (長春大學管網工程)	780.00		4,142,902.97	4,142,902.97			53.11	100.00				Self-financing
Installation of Water System and Ancillary Equipment for Boiler Room at Jilin University (吉大鍋爐房水系統及 附屬設備安裝工程)	700.00		5,698,160.45	5,698,160.45			81.40	100.00				Self-financing
Construction of Relay Station 9-1 at Second Factory (二廠9-1 中繼站建設工程)	714.00		4,057,159.00	4,057,159.00			56.82	100.00				Self-financing
Intelligentized Reconstruction Project (Phase II) for Heating Facilities (供熱設施智能 化改造項目一期工程)	434.00	202,074.88	2,711,797.34			2,913,872.22	67.14	70.00				Self-financing
Total		202,074.88	55,158,067.02	13,898,222.42		41,461,919.48						



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(X) Right-to-use assets

1. Particulars of right-to-use assets

Item	Property and buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Total
1. Original carrying amount					
(1) Closing balance of previous year	13,026,353.42				13,026,353.42
(2) Increase during the current period	6,362,166.39				6,362,166.39
— New lease	6,362,166.39				6,362,166.39
(3) Decrease during the current period	3,864,017.96				3,864,017.96
— Expiration of lease	3,864,017.96				3,864,017.96
(4) Closing balance	15,524,501.85				15,524,501.85
2. Accumulated depreciation					
(1) Closing balance of previous year	3,875,289.60				3,875,289.60
(2) Increase during the current period	3,548,704.88				3,548,704.88
— Provision	3,548,704.88				3,548,704.88
(3) Decrease during the current period	1,959,727.70				1,959,727.70
— Expiration of lease	1,959,727.70				1,959,727.70
(4) Closing balance	5,464,266.78				5,464,266.78
3. Impairment provision					
(1) Closing balance of previous year					
(2) Increase during the current period					
(3) Decrease during the current period					
(4) Closing balance					
4. Carrying amount					
(1) Closing carrying amount	10,060,235.07				10,060,235.07
(2) Closing carrying amount of previous year	9,151,063.82				9,151,063.82



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XI) Intangible Assets

1. Particulars of intangible assets

Item	Land use right	Patent	Software	Total
1. Original carrying amount				
(1) Closing balance of previous year	7,712,535.00	87,659.53	11,836,492.41	19,636,686.94
(2) Increase during the current period	2,519,449.54		1,548,465.37	4,067,914.91
— Addition	2,519,449.54		1,548,465.37	4,067,914.91
(3) Decrease during the current period				
(4) Closing balance	10,231,984.54	87,659.53	13,384,957.78	23,704,601.85
2. Accumulated amortisation				
(1) Closing balance of previous year	364,423.08	34,595.06	4,632,414.69	5,031,432.83
(2) Increase during the current period	224,653.79	8,765.88	1,179,803.55	1,413,223.22
— Provision	224,653.79	8,765.88	1,179,803.55	1,413,223.22
(3) Decrease during the current period				
(4) Closing balance	589,076.87	43,360.94	5,812,218.24	6,444,656.05
3. Impairment provision				
(1) Closing balance of previous year				
(2) Increase during the current period				
(3) Decrease during the current period				
4. Carrying amount				
(1) Closing carrying amount	9,642,907.67	44,298.59	7,572,739.54	17,259,945.80
(2) Closing carrying amount of previous year	7,348,111.92	53,064.47	7,204,077.72	14,605,254.11

2. Land use rights which have no certificates of title

Item	Carrying amount	Reasons for not having certificates of title
Land use rights	7,168,310.00	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 RMB7,168,310.00 as at 31 December 2024, with land resumption and procedure of land title not yet completed.
Land use rights	2,449,464.83	The carrying amount of the land that the Fuhao boiler plant is located of Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司), a subsidiary of the Company, was presented at RMB2,449,464.83 as at 31 December 2024, with procedure of land title not yet completed due to historical issues.
Total	9,617,774.83	



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XII) Goodwill

1. Movements in of goodwill

Name of investee or item which generated goodwill	Closing balance of previous year	Increase during the current period		Decrease during the current period		Closing balance
		Generated from business combination	Others	Disposal	Others	
Original carrying amount						
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
Subtotal	74,847,680.43					74,847,680.43
Impairment provision						
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)						
Subtotal						
Carrying amount	74,847,680.43					74,847,680.43

Note:

In December 2019, Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the parent company of our Company, generated a gain of RMB167,112,355.37 through the non-controlled business combination of Yatai Heating.

In May 2020, Yatai Heating gratuitously transferred some assets such as boilers to Changchun Heating Power (Group) Company Limited. The goodwill corresponding to this portion of assets of RMB92,264,674.94 was derecognized, and after adjustment, the book value of this business was RMB74,847,680.43.

In December 2020, our Company signed an equity acquisition agreement with Changchun Heating Power (Group) Company Limited to acquire 100% of Yatai Heating. Both before and after the combination, our Company and Yatai Heating were under the control of Changchun Heating Power (Group) Company Limited, and such control was not temporary. Therefore, the goodwill originally recognized on the books of Yatai Heating was recognized as part of the assets acquired in this business combination.



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XII) Goodwill (Continued)

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	RMB566.25 million	Discounted cash flow method	Yes

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 2024			31 December 2023		
	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	12.51	11.81	1.00	13.26	12.72

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.

(XIII) Long-term Deferred Expenditures

Item	Closing balance of previous year	Increase during the current period	Amortisation during the current period	Other decrease	Closing balance
Repair cost	52,873.11		52,873.11		
Total	52,873.11		52,873.11		



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XIV) Deferred Income Tax Assets and Deferred Income Tax Liabilities

1. Deferred income tax assets before offsetting

Item	Closing balance		Closing balance of previous year	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Impairment provision for assets	139,876,831.49	33,299,910.12	133,864,174.14	32,850,561.66
Asset-related government grants	48,553,256.12	12,138,314.03	27,002,643.32	6,750,660.83
Unrealised profit of internal transactions	33,054,903.00	8,263,725.75	24,138,122.32	6,034,530.58
Salaries payable	34,548,188.24	8,637,047.06	31,338,188.24	7,834,547.07
Lease liabilities	12,612,981.58	3,086,277.43	9,132,754.50	2,062,169.32
Total	268,646,160.43	65,425,274.39	225,475,882.52	55,532,469.46

2. Deferred income tax liabilities before offsetting

Item	Closing balance		Closing balance of previous year	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Increase in valuation arising from the acquisition of Yatai Heating	57,467,779.88	14,366,944.97	78,906,804.80	19,726,701.20
Increase in valuation arising from the acquisition of Xixing Energy	48,475,725.13	12,118,931.27	55,024,807.28	13,756,201.82
Right-of-use assets	10,060,235.07	2,441,028.12	9,151,063.82	2,068,975.15
Total	116,003,740.08	28,926,904.36	143,082,675.90	35,551,878.17



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XIV) Deferred Income Tax Assets and Deferred Income Tax Liabilities (Continued)

3. Deferred income tax assets or liabilities presented at net amount after offsetting

Item	At the end of the period		At the end of previous year	
	Offset amount of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting	Offset amount of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets	2,441,028.12	62,984,246.27	2,049,288.99	53,483,180.47
Deferred income tax liabilities	2,441,028.12	26,485,876.24	2,049,288.99	33,502,589.18

4. Breakdown of unrecognised deferred income tax assets

Item	Closing balance	Closing balance of previous year
Deductible temporary difference	8,979,749.97	138,595.34
Deductible loss	66,495,002.97	57,837,425.25
Total	75,474,752.94	57,976,020.59

5. Deductible losses on unrecognised deferred income tax assets that will expire in the following years

Year	Closing balance	Closing balance of previous year	Remark
2024		279,210.89	
2025	1,559,615.66	1,559,615.66	
2026			
2027	35,225,669.81	35,225,669.81	
2028	20,772,928.89	20,772,928.89	
2029	8,936,788.61		
Total	66,495,002.97	57,837,425.25	



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XV) Assets with Restricted Ownership or Rights-of-use

Item	At the end of the period				At the end of previous year			
	Carrying balance	Carrying amount	Restriction type	Restriction status	Carrying balance	Carrying amount	Restriction type	Restriction status
Monetary funds	6,600,000.00	6,600,000.00	Performance deposit	Restriction in use	6,600,000.00	6,600,000.00	Performance deposit	Restriction in usage
Total	6,600,000.00	6,600,000.00			6,600,000.00	6,600,000.00		

(XVI) Short-term Borrowings

1. Category of short-term borrowings

Item	Closing balance	Closing balance of previous year
Credit borrowings	615,550,000.00	
Provision of interest payable on borrowings	635,080.42	
Total	616,185,080.42	

(XVII) Bills Payable

Type	Closing balance	Closing balance of previous year
Bank acceptance bills	88,600,000.00	183,130,000.00
Total	88,600,000.00	183,130,000.00



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XVIII) Trade Payables

1. Disclosure of the ageing of trade payables based on billing date

Items	Closing balance	Closing balance of previous year
Within 1 year	228,146,149.72	129,093,997.38
1 to 2 years	14,745,559.16	59,366,974.70
2 to 3 years	39,714,923.61	2,388,626.14
Over 3 years	5,726,739.83	6,735,716.40
Total	288,333,372.32	197,585,314.62

2. Material trade payables aged over one year or overdue

Item	Closing balance	Reasons for outstanding or not carried forward
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
Changchun City Lihuawei Economic and Trade Company Limited* (長春市利華維經貿有限公司)	4,257,876.37	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)	2,753,532.75	No settlement was made yet
Hebei Gongda Koya Energy Technology Company Limited* (河北工大科雅能源科技股份有限公司)	1,799,767.05	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 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)	1,032,200.00	No settlement was made yet
Changchun Yude Pipe Company Limited* (長春禹德管業有限責任公司)	914,969.41	No settlement was made yet
Tianjin City Fuhaitong Energy Technology Limited* (天津市富海通能源科技有限公司)	896,198.61	No settlement was made yet
Changchun City Hongcheng Commodity and Concrete Company Limited* (長春市宏誠商品混凝土有限公司)	882,280.50	No settlement was made yet
Total	22,370,317.88	



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XIX) Contract Liabilities

1. Particulars of contract liabilities

Item	Closing balance	Closing balance of previous year
Heat supply	1,434,222,091.45	1,376,397,991.73
Construction, maintenance and design services and other	2,248,030.91	5,115,676.50
Total	1,436,470,122.36	1,381,513,668.23

2. Amount and reasons for significant changes in carrying amount during the Reporting Period

Items	Amount of change	Reason for changes
Heat supply business	27,364,878.92	New business contracts
Pipe network transmission services	15,357,240.41	New business contracts
Pipeline connection business	-2,526,066.50	Obligations to perform the contract
Total	40,196,052.83	

(XX) Salaries Payable

1. Particulars of salaries payable

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance
Short-term salaries	99,420,557.57	252,629,220.12	244,917,570.10	107,132,207.59
Post-employment benefits — defined contribution plan		25,139,629.19	25,139,629.19	
Total	99,420,557.57	277,768,849.31	270,057,199.29	107,132,207.59



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XX) Salaries Payable (Continued)

2. Particulars of short-term salaries

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance
(1) Wages, bonuses, allowances and subsidies	98,733,977.82	211,197,964.10	203,577,686.46	106,354,255.46
(2) Employee welfare		6,692,747.66	6,687,452.66	5,295.00
(3) Social insurance		13,126,834.27	13,126,834.27	
Of which: Medical insurance and maternity insurance		12,213,166.67	12,213,166.67	
Work injury insurance		913,667.60	913,667.60	
(4) Housing provident fund	2,307.00	18,139,246.00	18,139,246.00	2,307.00
(5) Union fund and staff education fund	684,272.75	3,163,908.09	3,077,830.71	770,350.13
(6) Other short-term salaries		308,520.00	308,520.00	
Total	99,420,557.57	252,629,220.12	244,917,570.10	107,132,207.59

3. Particulars of defined contribution plan

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance
Basic pension contribution		24,085,690.53	24,085,690.53	
Unemployment insurance		1,053,938.66	1,053,938.66	
Total		25,139,629.19	25,139,629.19	

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.



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXI) Tax Payable

Tax item	Closing balance	Closing balance of previous year
VAT	13,863,642.60	16,969,209.70
Enterprise income tax	2,223,180.89	278,236.54
Individual income tax	99,148.05	147,164.54
City maintenance and construction tax	1,262,947.60	1,456,127.63
Education surcharge	893,132.58	1,035,041.01
Other taxes	846,702.98	1,333,688.87
Total	19,188,754.70	21,219,468.29

(XXII) Other Payables

Item	Closing balance	Closing balance of previous year
Other payables	17,117,505.96	16,090,642.48
Total	17,117,505.96	16,090,642.48



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXII) Other Payables (Continued)

1. Other payables

(1) Based on nature of the payments

Item	Closing balance	Closing balance of previous year
Quality guarantee deposit	15,996.00	15,996.00
Deposit and guarantee	1,332,614.00	1,385,200.79
Current account payment	6,246,032.27	7,773,093.63
Insurance	595,014.76	263,366.72
Utilities	8,082,959.15	6,349,939.44
Others	844,889.78	303,045.90
Total	17,117,505.96	16,090,642.48

(2) Material other payables aged over one year or overdue

Item	Closing balance	Reasons for outstanding or not carried forward
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	4,477,732.80	No settlement was made yet

(XXIII) Non-current Liabilities Due within One Year

Item	Closing balance	Closing balance of previous year
Lease liabilities due within one year	5,912,595.53	2,733,983.62
Total	5,912,595.53	2,733,983.62



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXIV) Other Current Liabilities

Item	Closing balance	Closing balance of previous year
Sales tax to be transferred	34,420.48	13,028.63
Total	34,420.48	13,028.63

(XXV) Lease Liabilities

Item	Closing balance	Closing balance of previous year
Lease payments	13,263,995.35	9,854,892.99
Less: Unrecognized finance charge	651,013.77	722,138.49
Less: Lease liabilities due within one year	5,912,595.53	2,733,983.62
Total	6,700,386.05	6,398,770.88

(XXVI) Long-term Payables

Item	Closing balance	Closing balance of previous year
Special payables	2,584,506.04	2,584,506.04
Total	2,584,506.04	2,584,506.04

1. Special payables

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance	Reason of occurrence
Heating construction	406,864.00			406,864.00	
Pipeline network reconstruction	2,177,642.04			2,177,642.04	
Total	2,584,506.04			2,584,506.04	



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXVII) Long-term Salaries Payable

1. The breakdown of long-term salaries payable

Item	Closing balance	Closing balance of previous year
I. Post-employment benefits — net liability of defined contribution plan	34,548,188.24	31,338,188.24
II. Termination benefits		
III. Other long-term benefits		
Total	34,548,188.24	31,338,188.24

2. Movements in defined contribution plan

(1) Present value of obligation of defined contribution plan

Item	Current period	Previous period
1. Closing balance of previous year	31,338,188.24	29,559,928.24
2. Defined contribution costs included in profit or loss for the period	-1,436,301.50	2,257,694.75
(1) Service costs for the period	803,698.50	727,522.50
(2) Prior service costs	-3,090,000.00	
(3) Settlement gain (loss is presented by “-” sign)		
(4) Net interest	850,000.00	880,000.00
(5) Actuarial loss recognized immediately		650,172.25
3. Defined contribution costs included in other comprehensive income	5,380,000.00	340,000.00
(1) Actuarial gain (loss is presented by “-” sign)	5,080,000.00	340,000.00
(2) Adjustment based on experience	300,000.00	
4. Other movements	-733,698.50	-819,434.75
(1) Consideration paid upon settlement		
(2) Benefits paid	-733,698.50	-819,434.75
5. Closing balance	34,548,188.24	31,338,188.24



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXVII) Long-term Salaries Payable (Continued)

2. Movements in defined contribution plan (Continued)

(2) Net liabilities (net assets) of the defined contribution plan

Item	Current period	Previous period
1. Closing balance of previous year	31,338,188.24	29,559,928.24
2. Defined contribution costs included in profit or loss for the period	-1,436,301.50	2,257,694.75
3. Defined contribution costs included in other comprehensive income	5,380,000.00	340,000.00
4. Other movements	-733,698.50	-819,434.75
5. Closing balance	34,548,188.24	31,338,188.24

(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 in assumption	Decrease in assumption
Discount rate (%) — Post-employment benefits	2	2.75	-0.25	For every 0.25 percentage point increase in the discount rate, the present value of the defined contribution plan obligation decreases by RMB1.66 million	For every 0.25 percentage point decrease in the discount rate, the present value of the defined contribution plan obligation increases by RMB1.79 million
Mortality rate (%)	CL5/CL6 (2010-2013)	CL5/CL6 (2010-2013)			
Annual turnover rate (%)	1.00	1.00			
Expected growth rate of medical benefits (%)	6.00	6.00			

The Group has a 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

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXVIII) Deferred Income

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance
Government grants	39,773,519.76	16,795,000.00	4,415,263.64	52,153,256.12
Total	39,773,519.76	16,795,000.00	4,415,263.64	52,153,256.12

(XXIX) Other Non-current Liabilities

Item	Closing balance	Closing balance of previous year
Sales tax to be transferred	1,229,995.52	1,442,167.11
Total	1,229,995.52	1,442,167.11



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXX) Share Capital

Item	Closing balance of previous year	Increase(+)/Decrease(-) during the current period					Closing balance
		Issuance of new shares	Bonus share	Transfer from reserve	Others	Sub-total	
Total shares	466,700,000.00						466,700,000.00

(XXXI) Other Comprehensive Income

Item	Closing balance of previous year	Current period						Closing 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: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholder after tax	Less: Transfer to retained earnings during the period from other comprehensive income	
1. Other comprehensive income that will not be reclassified to profit or loss	-2,786,642.82	-5,380,000.00		-802,500.00	-4,577,500.00			-7,364,142.82
Among which: changes from re-measurement of defined benefit plans	-2,786,642.82	-5,380,000.00		-802,500.00	-4,577,500.00			-7,364,142.82
Other comprehensive income that may not be transferred to profit or loss under the equity method								
Changes in fair value of other equity instrument investments								
Changes in fair value of the enterprise's own credit risk								
2. Other comprehensive income that will be reclassified to profit or loss								
Total other comprehensive income	-2,786,642.82	-5,380,000.00		-802,500.00	-4,577,500.00			-7,364,142.82

(XXXII) Special Reserve

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance
Safety production fee	25,636,436.53		5,827.43	25,630,609.10
Total	25,636,436.53		5,827.43	25,630,609.10



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXXIII) Surplus Reserve

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance
Statutory surplus reserve	38,565,035.73	6,566,134.56		45,131,170.29
Discretionary surplus reserve				
Total	38,565,035.73	6,566,134.56		45,131,170.29

(XXXIV) Undistributed Profits

Item	Current period	Incurred during the previous period
Undistributed profits at the end of the previous period before adjustment	461,731,649.36	391,512,294.20
Adjustments to total unallocated profits at the beginning of the year (upward +, downward -)		
Undistributed profits at the beginning of the year after adjustment	461,731,649.36	391,512,294.20
Add: Net profit attributable to owners' equity of the parent company during the current period	99,899,660.72	120,955,527.33
Less: Withdrawal of statutory surplus reserve	6,566,134.56	8,733,172.17
Withdrawal of discretionary surplus reserve		
Withdrawal of general risk reserve		
Dividend payable on ordinary shares	42,003,000.00	42,003,000.00
Ordinary shares dividends transferred to share capital		
Undistributed profits at the end of the period	513,062,175.52	461,731,649.36

(XXXV) Operating Income and Operating Costs

1. Operating income and operating costs

Item	Current period		Incurred during the previous period	
	Income	Cost	Income	Cost
Principal operating business	1,800,308,638.17	1,546,086,707.25	1,686,741,522.54	1,426,259,218.50
Other businesses	5,391,525.74	2,458,444.22	7,675,313.34	2,267,255.75
Total	1,805,700,163.91	1,548,545,151.47	1,694,416,835.88	1,428,526,474.25



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXXV) Operating Income and Operating Costs (Continued)

2. Information on the breakdown of operating income and operating costs

Revenue from customer contracts during the period is set out below:

Contract category	Incurred during the current period		Total
	Heat supply business	Construction, maintenance and design services	
I. By commodity	1,615,314,894.83	190,385,269.08	1,805,700,163.91
Heat supply	1,535,593,701.98		1,535,593,701.98
Pipeline connection fee	67,701,144.87		67,701,144.87
Heat transmission	12,020,047.98		12,020,047.98
Engineering construction		50,981,285.48	50,981,285.48
Engineering maintenance		40,257,016.64	40,257,016.64
Design services		8,177,204.34	8,177,204.34
Others		90,969,762.62	90,969,762.62
II. By business area	1,615,314,894.83	190,385,269.08	1,805,700,163.91
Northeast region	1,615,314,894.83	190,385,269.08	1,805,700,163.91
Others			
III. By market or customer	1,615,314,894.83	190,385,269.08	1,805,700,163.91
Corporate	581,754,994.58	190,385,269.08	772,140,263.66
Residential	1,033,559,900.25		1,033,559,900.25
IV. By contract	1,615,314,894.83	190,385,269.08	1,805,700,163.91
Sales	1,603,294,846.85	86,276,848.10	1,689,571,694.95
Service	12,020,047.98	104,108,420.98	116,128,468.96
V. By the time of commodity transfer	1,615,314,894.83	190,385,269.08	1,805,700,163.91
At a point in time		86,276,848.10	86,276,848.10
Over a period of time	1,615,314,894.83	104,108,420.98	1,719,423,315.81
VI. By contract term	1,615,314,894.83	190,385,269.08	1,805,700,163.91
Within 1 year	1,547,613,749.96	155,579,344.18	1,703,193,094.14
Over 1 year	67,701,144.87	34,805,924.90	102,507,069.77
VII. By sales channel	1,615,314,894.83	190,385,269.08	1,805,700,163.91
Centralized heating	1,615,314,894.83		1,615,314,894.83
Others		190,385,269.08	190,385,269.08
Total	1,615,314,894.83	190,385,269.08	1,805,700,163.91



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXXV) Operating Income and Operating Costs (Continued)

2. Information on the breakdown of operating income and operating costs (Continued)

Revenue from customer contracts during the period is set out below: (Continued)

Contract category	Incurred during the previous period		Total
	Heat supply business	Construction, maintenance and design services	
I. By commodity	1,570,725,340.02	123,691,495.86	1,694,416,835.88
Heat supply	1,482,233,644.78		1,482,233,644.78
Pipeline connection fee	69,780,592.78		69,780,592.78
Heat transmission	18,711,102.46		18,711,102.46
Engineering construction		49,698,932.28	49,698,932.28
Engineering maintenance		23,642,266.05	23,642,266.05
Design services		7,869,445.92	7,869,445.92
Other		42,480,851.61	42,480,851.61
II. By business area	1,570,725,340.02	123,691,495.86	1,694,416,835.88
Northeast region	1,570,725,340.02	123,691,495.86	1,694,416,835.88
Other			
III. By market or customer	1,570,725,340.02	123,691,495.86	1,694,416,835.88
Corporate	566,070,512.26	123,691,495.86	689,762,008.12
Residential	1,004,654,827.76		1,004,654,827.76
IV. By contract	1,570,725,340.02	123,691,495.86	1,694,416,835.88
Sales	1,552,014,237.56	34,787,291.53	1,586,801,529.09
Service	18,711,102.46	88,904,204.33	107,615,306.79
V. By the time of commodity transfer	1,570,725,340.02	123,691,495.86	1,694,416,835.88
At a point in time		37,319,623.87	37,319,623.87
Over a period of time	1,570,725,340.02	86,371,871.99	1,657,097,212.01
VI. By contract term	1,570,725,340.02	123,691,495.86	1,694,416,835.88
Within 1 year	1,500,944,747.24	112,845,481.88	1,613,790,229.12
Over 1 year	69,780,592.78	10,846,013.98	80,626,606.76
VII. By sales channel	1,570,725,340.02	123,691,495.86	1,694,416,835.88
Centralized heating	1,570,725,340.02		1,570,725,340.02
Other		123,691,495.86	123,691,495.86
Total	1,570,725,340.02	123,691,495.86	1,694,416,835.88



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXXVI) Taxes and Surcharges

Item	Current period	Incurred during the previous period
City maintenance and construction tax	977,456.58	883,002.62
Education surcharge	397,368.92	378,366.86
Local education surcharge	301,917.45	252,242.56
Property tax	450,222.83	230,131.66
Land use tax	131,391.53	134,938.99
Vehicle and vessel tax	44,254.23	29,815.71
Stamp duty	919,040.35	1,133,412.18
Environmental protection tax	160,271.15	216,480.36
Hydraulic Construction Fund	1,364,989.68	1,288,847.92
Total	4,746,912.72	4,547,238.86

(XXXVII) Selling Expenses

Item	Current period	Incurred during the previous period
Business promotion expenses		23,772.12
Service charges	812,474.93	1,059,674.67
Transportation and loading expenses		741,790.08
Total	812,474.93	1,825,236.87



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXXVIII) Administrative Expenses

Item	Incurring during the current period	Incurring during the previous period
Entertainment expenses	36,005.90	201,939.14
Salaries payable	63,441,605.33	63,201,415.46
Maintenance fee	427,357.99	615,829.75
Depreciation of fixed assets	3,441,442.24	4,227,974.63
Amortisation of intangible assets	1,348,044.26	1,263,063.19
Technological transfer and services	1,285,794.30	268,213.21
Insurance	4,002,475.57	6,850,518.87
Rental fee	4,169,849.05	2,002,643.38
Office expenses	8,133,391.86	10,626,616.56
Travel expenses	482,028.60	826,669.23
Agency fees	14,625,943.50	2,049,319.58
Auditor's remuneration	1,829,622.64	2,113,207.55
Consulting fee	56,603.77	560,121.10
Litigation fees	9,324.00	15,490.00
Property management fee	37,543.46	86,707.36
Party building expenses	852,452.88	709,036.14
Disabled security fund	1,647,195.55	1,739,929.04
Utility	244,795.35	230,173.74
Labour protection expenses	105,366.00	708,040.15
Security maintenance fees	76,013.03	73,405.39
Vehicle running costs	628,429.46	725,577.84
Low-value consumables	286,057.28	116,832.89
Heating expenses	207,649.38	528,231.02
Other	1,569,781.83	796,617.43
Total	108,944,773.23	100,537,572.65



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XXXIX) Research and Development Expenses

Item	Incurred during the current period	Incurred during the previous period
Salaries	1,361,365.98	1,951,431.50
Research and development materials costs	46,840.30	61,410.93
Depreciation expenses	3,095.27	1,910.22
Commissioning external development costs	75,471.70	264,150.94
Other		38,894.50
Total	1,486,773.25	2,317,798.09

(XL) Finance costs

Item	Incurred during the current period	Incurred during the previous period
Interest expenses	9,255,842.25	12,114,895.93
Of which: Interest expenses of lease liabilities	543,447.35	192,807.73
Less: interest income	13,735,707.44	17,274,669.76
Exchange gain and loss	256,565.80	547,560.21
Handling fee	303,882.92	145,401.05
Total	-3,919,416.47	-4,466,812.57

(XLI) Other income

Item	Incurred during the current period	Incurred during the previous period
Government grants	5,956,302.45	12,178,640.52
Handling fee for withholding personal income tax	30,805.25	52,929.23
Total	5,987,107.70	12,231,569.75



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XLII) Credit impairment loss

Item	Incurring during the current period	Incurring during the previous period
Bad debt loss of trade receivables	9,490,420.83	-8,030,072.62
Bad debt loss of other receivables	11,427,863.70	11,601,817.11
Total	20,918,284.53	3,571,744.49

(XLIII) Assets Impairment Loss

Item	Incurring during the current period	Incurring during the previous period
Inventory impairment loss and contract performance cost impairment loss	2,035,844.28	
Contract assets impairment loss	-20,110,566.08	-130,547.36
Fixed assets impairment loss	10,176,812.07	
Constructions in progress impairment loss		162,606.17
Total	-7,897,909.73	32,058.81

(XLIV) Gain on disposal of assets

Item	Incurring during the current period	Incurring during the previous period	Amount included in non-recurring profit or loss of the current period
Disposal of right-of-use assets	86,422.03		86,422.03
Total	86,422.03		86,422.03



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XLV) 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	900,342.92		900,342.92
Income from damages for breach of contract	531,071.44	106,209.36	531,071.44
Overdue payment		86,277.28	
Other	282,248.60	822,275.23	282,248.60
Total	1,713,662.96	1,014,761.87	1,713,662.96

(XLVI) 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
Loss on destruction and scrapping of non-current assets		349,381.95	
Damages, liquidated damages and penalty payments	1,474,388.58	1,879,570.20	1,474,388.58
Other	55,258.16	71,119.42	55,258.16
Total	1,529,646.74	2,300,071.57	1,529,646.74

(XLVII) Income tax expenses

1. Income Tax Expenses

Item	Incurred during the current period	Incurred during the previous period
Current income tax expenses	54,136,575.96	55,218,960.37
Deferred income tax expenses	-15,715,570.75	-7,702,703.22
Total	38,421,005.21	47,516,257.15



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XLVII) Income tax expenses (Continued)

2. Reconciliation between accounting profit and income tax expenses

Item	Incurring during the current period
Total profit	138,320,665.93
Income tax expenses calculated at statutory tax rates	34,052,554.31
Effect of different tax rates applied by subsidiaries	439,395.10
Effect of adjustments to income tax on prior periods	-650,514.27
Effect of non-taxable income	
Effect of non-deductible costs, expenses and losses	109,200.04
Effect of deductible loss on utilisation of deferred income tax assets not recognised in the previous period	-8,764.62
Effect of deductible temporary difference or deductible loss on deferred income tax assets not recognised in the current period	4,479,134.65
Income tax expenses	38,421,005.21

(XLVIII) EARNINGS PER SHARE

1. Basic earnings per share

Basic earnings per share are calculated by dividing combined net profit attributable to ordinary shareholders of the parent company by the weighted average of outstanding ordinary shares of the Company:

Item	Incurring during the current period	Incurring during the previous period
Combined net profit attributable to ordinary shareholders of the parent company	99,899,660.72	120,955,527.33
Weighted average of outstanding ordinary shares of the Company	466,700,000.00	466,700,000.00
Basic earnings per share		
Of which: Basic earnings per share from continuing operation	0.21	0.26
Basic earnings per share from discontinued operation	0.21	0.26



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XLVIII) EARNINGS PER SHARE (Continued)

2. Diluted earnings per share

Diluted earnings per share are calculated by dividing combined net profit (diluted) attributable to ordinary shareholders of the parent company by the weighted average (diluted) of outstanding ordinary shares of the Company:

Item	Current period	Previous period
Combined net profit (diluted) attributable to ordinary shareholders of the parent company	99,899,660.72	120,955,527.33
Weighted average (diluted) of outstanding ordinary shares of the Company	466,700,000.00	466,700,000.00
Diluted earnings per share		
Of which: Diluted earnings per share from continuing operation	0.21	0.26
Diluted earnings per share from discontinued operation	0.21	0.26

(XLIX) Items in Statement of Cash Flows

1. Cash relating to operating activities

(1) Cash received relating to other operating activities

Item	Current period	Previous period
Current account payment	1,064,309.60	98,088,591.31
Interest income	13,735,707.44	17,274,669.76
Government grants	18,273,962.55	8,660,204.95
Tender deposit	5,058,392.37	1,567,703.54
Other	2,881,165.93	1,500,393.69
Total	41,013,537.89	127,091,563.25



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XLIX) Items in Statement of Cash Flows (Continued)

1. Cash relating to operating activities (Continued)

(2) Cash paid relating to other operating activities

Item	Current period	Previous period
Out-of pocket expenses	16,631,399.33	22,020,604.07
Handling fee	303,882.92	145,401.05
Current account payment		52,512,180.70
Compensation expenses	1,477,055.31	1,766,384.15
Other	11,879,803.31	3,271,940.26
Total	30,292,140.87	79,716,510.23

2. Cash relating to other investing activities

(1) Cash paid relating to other investing activities

Item	Current period	Previous period
Principal and interest on lease liabilities	1,536,458.71	1,540,833.34
Foreign exchange gains and losses on dividend payments	279,829.78	
Total	1,816,288.49	1,540,833.34



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(L) 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	99,899,660.72	120,955,527.33
Add: Credit impairment loss	20,918,284.53	3,571,744.49
Impairment provision for assets	-7,897,909.73	32,058.81
Depreciation of fixed assets	132,378,644.82	131,023,373.37
Depreciation of right-of-use assets	3,548,704.88	1,933,113.25
Amortisation of intangible assets	1,413,223.22	1,263,434.95
Amortisation of long-term deferred expenditures	52,873.11	455,794.98
Loss on disposal of fixed assets, intangible assets and other long-term assets (presented by a "-" sign for gain)	-86,422.03	
Loss on scrapped fixed assets (presented by a "-" sign for gain)		349,381.95
Loss on change in fair value (presented by a "-" sign for gain)		
Financial costs (presented by a "-" sign for gain)	9,255,842.25	12,114,895.93
Investment loss (presented by a "-" sign for gain)		
Decrease in deferred income tax assets (presented by a "-" sign for increase)	-9,501,065.80	-273,578.44
Increase in deferred income tax liabilities (presented by a "-" sign for decrease)	-7,016,712.94	-7,432,467.53
Decrease in inventories (presented by a "-" sign for increase)	-3,975,432.18	774,473.75
Decrease of operating receivables (presented by a "-" sign for increase)	-250,667,629.20	40,098,395.98
Increase of operating payables (presented by a "-" sign for decrease)	47,698,072.49	94,476,403.07
Other		
Net cash flows from operating activities	36,020,134.14	399,342,551.89
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		
Right-of-use assets acquired by undertaking lease liabilities		
3. Net movement in cash and cash equivalents		
Cash at the end of the period	1,449,174,167.52	1,111,041,609.91
Less: cash at the beginning of period	1,111,041,609.91	1,030,236,102.05
Add: cash equivalents at end of the period		
Less: cash equivalents at beginning of the period		
Net increase in cash and cash equivalents	338,132,557.61	80,805,507.86



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(L) Supplementary Information for Statement of Cash Flows (Continued)

2. The composition of cash and cash equivalents

Item	Closing balance	Balance as at the end of previous year
I. Cash	1,449,174,167.52	1,111,041,609.91
Of which: Cash on hand		
Bank deposit available for payment at any time	1,449,174,167.52	1,111,041,609.91
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	1,449,174,167.52	1,111,041,609.91
Of which: Cash and cash equivalents held but can not be used by the parent or subsidiaries within the group		

Monetary funds that are not cash and cash equivalents

Item	Closing balance	Balance as at the end of previous year	Reasons for not being included in cash and cash equivalents
Other monetary funds	6,600,000.00	6,600,000.00	Performance Deposit
Total	6,600,000.00	6,600,000.00	

(LI) 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			659,651.58
Of which: U.S. dollars			
Hong Kong dollars	712,335.95	0.92604	659,651.58



NOTES TO FINANCIAL STATEMENTS

Year 2024

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(LII) Lease

1. As Lessee

Item	Current period	Previous period
Interest expenses on lease liabilities	543,447.35	192,807.73
Expenses on simplified approach to the short-term lease, included in cost of related assets or profit or loss of the current period	904,761.91	1,627,140.68
Expenses on simplified approach to the lease of low-value assets (other than expenses on short-term lease of low-value assets), included in cost of related assets or profit or loss of the current period		
Variable lease payments not included in the measurement of lease liabilities, included in cost of related assets or profit or loss of the current period		
Among which: from sale-leaseback transaction		
Income arising from subleasing right-of-use assets		
Total cash outflow relating to lease	1,536,458.71	1,540,833.34
Related profit or loss arising from sale-leaseback transaction		
Cash inflows from sale-leaseback transaction		
Cash outflows from sale-leaseback transaction		



NOTES TO FINANCIAL STATEMENTS

Year 2024

VI. RESEARCH AND DEVELOPMENT EXPENSES

(I) Research and Development Expenses

Item	Current period	Previous period
Salaries	1,361,365.98	1,951,431.50
Materials costs	46,840.30	61,410.93
Depreciation expenses	3,095.27	1,910.22
Commissioning external development costs	75,471.70	264,150.94
Other		38,894.50
Total	1,486,773.25	2,317,798.09
Among which: Research and development expenses expensed	1,486,773.25	2,317,798.09
Research and development expenses capitalised		

VII. CHANGE OF THE SCOPE OF COMBINATION

The Group has no change of the scope of combination for the current period.



NOTES TO FINANCIAL STATEMENTS

Year 2024

VIII. INTERESTS IN OTHER ENTITIES

(I) Interests in Subsidiaries

1. Composition of the Group

Name of subsidiary	Registered capital (in RMB 0,000)	Primary operation place	Place of registration	Nature of business	Type of Legal Entity	Shareholding percentage (%)		
						Direct	Indirect	Form of acquisition
Jilin Province Changre Maintenance Service Company Limited* (吉林省長熱維修實業有限公司)	1,000	Changchun, Jilin	Changchun, Jilin	Maintenance service, installation, repair and maintenance of heating facilities	Limited Liability Company	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)	4,000	Changchun, Jilin	Changchun, Jilin	Heat construction works and maintenance works	Limited Liability Company	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)	5,000	Changchun, Jilin	Changchun, Jilin	Production of electricity and heat and heat supply network transmission services	Limited Liability Company	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)	500	Changchun, Jilin	Changchun, Jilin	Engineering design	Limited Liability Company	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)	400	Changchun, Jilin	Changchun, Jilin	Apparatus manufacturing and sales	Limited Liability Company	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)	2,000	Changchun, Jilin	Changchun, Jilin	Application of biomass energy	Limited Liability Company	100		Establishment with investment
Changchun Yatai Heating Co., Ltd.* (長春熱力亞泰有限責任公司)	12,870	Changchun, Jilin	Changchun, Jilin	Production, supply and sale of heat	Limited Liability Company	100		Business combination under common control
Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司)	2,000	Changchun, Jilin	Changchun, Jilin	Production, supply and sale of heat	Limited Liability Company	100		Business combination not under common control
Jilin Province Hengxin Electricity Co. Ltd.* (吉林省恒信電力有限公司)	3,000	Changchun, Jilin	Changchun, Jilin	Supply of electricity	Limited Liability Company	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)	10,000	Changchun, Jilin	Changchun, Jilin	Application of biomass energy	Limited Liability Company	100		Establishment with investment
Jilin Province Northeast Heating Co., Ltd.* (吉林省東北供熱有限公司)	2,000	Changchun, Jilin	Changchun, Jilin	Supply of heat services	Limited Liability Company	60		Business combination not under common control



NOTES TO FINANCIAL STATEMENTS

Year 2024

IX. GOVERNMENT GRANTS

(II) Classification, amounts and line item of government grants

- Government grants included in profit or loss of the current period
Government grants related to assets

line item of balance sheet	Government grants	Included in profit or loss of the current period or elimination of relevant cost charges		Item included in profit or loss of the current period or elimination of relevant cost charges
		Current period	Previous period	
Deferred income	128,653,003.50	4,415,263.64	4,415,263.64	other income
Total	128,653,003.50	4,415,263.64	4,415,263.64	

Government grants related to revenue

Line item included in profit or loss of the current period or elimination of relevant cost charges	Government grants	Included in profit or loss of the current period or elimination of relevant cost charges	
		Current period	Previous period
Other Income	1,541,038.81	1,541,038.81	7,763,376.88
Total	1,541,038.81	1,541,038.81	7,763,376.88

- Liabilities in relation to government grants

Liability item	Closing balance of previous year	Grants increased during the current period	Included in non-operating income during the current period	Transferred to other income during the current period	Elimination of cost charges during the current period	Other changes	Closing balance	Asset-related/Income-related
Deferred revenue	39,773,519.76	16,795,000.00		4,415,263.64			52,153,256.12	Asset-related



NOTES TO FINANCIAL STATEMENTS

Year 2024

X. RISKS IN RELATION TO FINANCIAL INSTRUMENTS

(I) Risks arising from financial instruments

The Company may be exposed to all kinds of financial risks in its operating activities: credit risks, liquidity risks and market risks (including exchange risk, interest rate risk and other price risk). Such financial risks 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.

1. 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

Year 2024

X. RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(I) Risks arising from financial instruments (Continued)

1. 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:

Item	31 December 2024	Impairment provision
Trade receivable	351,998,173.92	59,544,145.46
Other Receivables	170,672,800.31	27,522,455.86
Total	522,670,974.23	87,066,601.32

The main customers of the Company are enterprises and residents in the respective heat service area and have reliable and good reputation. The Company monitors customer credit records on a regular basis. For customers with poor credit records, the Company will adopt methods such as written reminders to ensure that the Company's overall credit risk is within a controllable range.



NOTES TO FINANCIAL STATEMENTS

Year 2024

X. RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(I) Risks arising from financial instruments (Continued)

2. 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 financial liabilities are presented as follows based on the undiscounted contractual cash flows by maturity date:

Items	Closing balance					Total undiscounted contract amount	Carrying value
	Immediate repayment	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years		
Short-term borrowings		631,940,477.03				631,940,477.03	616,185,080.42
Bills payable		88,600,000.00				88,600,000.00	88,600,000.00
Trade payables		288,333,372.32				288,333,372.32	288,333,372.32
Other payables		17,117,505.96				17,117,505.96	17,117,505.96
Non-current liabilities due within one year		5,912,595.53				5,912,595.53	5,912,595.53
Lease liabilities			3,814,522.92	4,257,899.11		8,072,422.03	6,700,386.05
Total		1,031,903,950.84	3,814,522.92	4,257,899.11		1,039,976,372.87	1,022,848,940.28

Items	Closing balance of previous year					Total undiscounted contract amount	Carrying value
	Immediate repayment	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years		
Short-term borrowings							
Bills payable		183,130,000.00				183,130,000.00	183,130,000.00
Trade payables		197,585,314.62				197,585,314.62	197,585,314.62
Other payables		16,090,642.48				16,090,642.48	16,090,642.48
Non-current liabilities due within one year		2,733,983.62				2,733,983.62	2,733,983.62
Lease liabilities			2,689,296.64	4,170,489.31		6,859,785.95	6,398,770.88
Total		399,539,940.72	2,689,296.64	4,170,489.31		406,399,726.67	405,938,711.60



NOTES TO FINANCIAL STATEMENTS

Year 2024

X. RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(I) Risks arising from financial instruments (Continued)

3. Market Risk

Market risk, including foreign exchange rate risk, interest rate risk and foreign currency risk, refers to the risk that the fair value or future cash flow of a financial instrument will fluctuate because of the changes in market price.

(1) Interest rate risk

The interest rate risk of the Company mainly associates with bank borrowings. 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.

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) Exchange risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in foreign exchange rate. The Company pays close attention to the impact of exchange rate changes on the Company's foreign exchange risk. The management of the Company believes that the major and continuing business of the Company are denominated and settled in RMB, the exchange rate risk may have no significant impact on the Company's major and continuing business.

(3) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than exchange rate risk and interest rate risk.



NOTES TO FINANCIAL STATEMENTS

Year 2024

XI. DISCLOSURE OF FAIR VALUE

As of 31 December 2024, the Company has no financial instruments measured at fair value.

XII. 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	Percentage of shareholding in the Company (%)	Percentage of voting right in the Company (%)
Changchun Heating Power (Group) Company Limited* (formerly known as Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司))	No. 998 Nanhu Road, Nanguan District, Changchun City	Heat production service	36,100	69.75	69.75

The parent company of the Company changed its name from Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司) to Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司) on January 24, 2025.

The ultimate controlling party of the Company is SASAC Changchun, whose place of registration is the PRC.

(II) General Information of the Subsidiaries

For details of the subsidiaries of the Company, please refer to Note “VIII (I) Interests in Subsidiaries”.



NOTES TO FINANCIAL STATEMENTS

Year 2024

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Particulars of Other Related Parties

Name of other related party	Relationship between other related parties and the Company
SONG Chi	Chairman and non-executive Director (appointed on May 31, 2024)
SUN Huiyong	Chairman and non-executive Director (resigned on March 21, 2024)
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
WANG Yuguo	Independent non-executive Director (resigned on May 31, 2024)
FU Yachen	Independent non-executive Director
POON Pok Man	Independent non-executive Director
ZHANG Yan	Independent non-executive Director (appointed on May 31, 2024)
LIU Yanan	Deputy general manager
WAN Tao	Board secretary and joint company secretary
LEE Chung Shing	Joint company secretary
QIU Jianhua	Chairman of the Supervisory Committee, director of parent company
ZHANG Wei	Supervisor
LI Xiaoling	Employee representative supervisor
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	Parent company
Jilin Province Heating Group Co., Ltd.*	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 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 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 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



NOTES TO FINANCIAL STATEMENTS

Year 2024

XII. 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 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
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 Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	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.* (臨江市春城公用事業有限公司)	Entity controlled by same parent company
Changchun Chuntou Environmental Energy Technology Co., Ltd.* (長春市春投環能貿易有限公司)	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 New Type Pipe Company Limited* (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
Pangshi Guotai Security Services Limited* (磐石市國泰保安服務有限公司)	A associated company of the parent company



NOTES TO FINANCIAL STATEMENTS

Year 2024

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related Party Transactions

1. Related transactions in relation to purchase and sale of goods, provide and receipt of services

Table of purchase of goods/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	31,428.35	86,707.36
Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司)	Purchase of goods	28,920,296.13	29,133,451.03
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	Purchase of goods and receipt of services	77,576,710.39	108,842,163.88
Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限責任公司)	Purchase of goods	26,488,894.46	17,557,155.97
Total	—	133,017,329.33	155,619,478.24



NOTES TO FINANCIAL STATEMENTS

Year 2024

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related Party Transactions (Continued)

1. Related transactions in relation to purchase and sale of goods, provide and receipt of services (Continued)
Table of sale of goods/provision of services

Related party	Description of the related party transaction	Incurred during the current period	Incurred during the previous period
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	Sale of goods, provision of services	70,302,580.45	37,716,584.39
Jilin Heating Group Co., Ltd* (吉林省熱力集團有限公司)	Provision of services	10,644,948.59	427,923.33
Jilin Heating Group Tonghua Public Utility Co., Ltd* (吉林省熱力集團通化市公用事業有限公司)	Sale of goods, provision of services		377,469.47
Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	Provision of services	1,982,982.16	842,976.65
Inner Mongolia Chuncheng Heating Service Co., Ltd.* (內蒙古春城熱力服務有限公司)	Provision of services	1,740,830.90	
Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	Provision of services	538,840.37	
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)	Provision of services	3,871,544.95	
Total	—	89,081,727.42	39,364,953.84



NOTES TO FINANCIAL STATEMENTS

Year 2024

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related Party Transactions (Continued)

2. Related entrustment/contracting and entrusted management/situation of outsourcing

Particulars of entrustment business of the Company:

Entrusting party	Trustee	Type of entrusted/ contracted assets	Commencement date of entrustment/ contract	Termination date of entrustment/ contract	Pricing basis of entrustment fee/contract fee	Revenue from entrustment/ contract recognised during the current period
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團) 有限責任公司)	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	1 January 2024	31 December 2026	Cost plus pricing method	2,333,743.40

3. Particulars of leasing with related party

The Company as the lessee:

Name of the lessor	Type of leased assets	Current period				Previous period			
		Simplified short- term lease and low-value asset lease rental expenses	Variable lease payments not included in lease liability measurement	Rent paid	Lease liability interest expenses incurred	Simplified short- term lease and low-value asset lease rental expenses	Variable lease payments not included in lease liability measurement	Rent paid	Lease liability interest expenses incurred
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限 責任公司)	Buildings			1,164,715.59	488,719.89	5,943,125.00	192,645.26	2,493,397.26	146,956.98
									7,944,564.78

4. Assets Transfer of Related Party

Related Party	Related Party Transactions	Current Period	Previous Period
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	purchase of fixed assets and intangible assets	35,018,512.86	



NOTES TO FINANCIAL STATEMENTS

Year 2024

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related Party Transactions (Continued)

5. Remuneration of key management

(1) Remuneration of key management

In accordance with the Listing Rules, Sections 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance, and the Companies (Disclosure of Interests of Directors) Regulations, the emoluments of the Company's Directors and Supervisors for the year ended 31 December 2024 are set out below:

Item	Fee	Salaries, allowances and benefits in kind	Performance bonuses	Retirement scheme contributions	Total
Executive Director:					
YANG Zhongshi		477,380.47		39,841.44	517,221.91
XU Chungang		432,464.15		39,841.44	472,305.59
SHI Mingjun		420,590.43		39,841.44	460,431.87
LI Yeji		184,041.24	60,000.00	31,935.36	275,976.60
Sub-total		1,514,476.29	60,000.00	151,459.68	1,725,935.97
Non-executive Director:					
SONG Chi					
SUN Huiyong					
Sub-total					
Independent non-executive Director:					
WANG Yuguo	41,666.65				41,666.65
FU Yachen	100,000.00				100,000.00
POON Pok Man	150,000.00				150,000.00
ZHANG Yan	58,333.35				58,333.35
Sub-total	350,000.00				350,000.00
Supervisor:					
LI Xiaoling		180,767.78	46,000.00	28,421.76	255,189.54
Sub-total		180,767.78	46,000.00	28,421.76	255,189.54
Total	350,000.00	1,695,244.07	106,000.00	179,881.44	2,331,125.51



NOTES TO FINANCIAL STATEMENTS

Year 2024

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related Party Transactions (Continued)

5. 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 2023 is set out as follows:

Item	Fee	Salaries, allowances and benefits in kind	Performance bonuses	Retirement scheme contributions	Total
Executive Director:					
YANG Zhongshi		500,772.12		37,555.68	538,327.80
XU Chungang		458,801.44		37,555.68	496,357.12
SHI Mingjun		473,810.88		37,555.68	511,366.56
LI Yeji		189,950.31	50,000.00	32,459.52	272,409.83
Sub-total		1,623,334.75	50,000.00	145,126.56	1,818,461.31
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		165,785.63	47,040.00	32,459.52	245,285.15
Sub-total		165,785.63	47,040.00	32,459.52	245,285.15
Total	350,000.00	1,789,120.38	97,040.00	177,586.08	2,413,746.46

Notes:

- SUN Huiyong has resigned as the chairman on March 2024. SONG Chi was appointed as the chairman on May 2024. WANG Yuguo has resigned as the Independent non-executive director on May 2024. ZHANG Yan was appointed as the Independent non-executive director on May 2024.
- During the period, no Directors or Supervisors waived any emoluments and no emoluments were paid to any of the Directors or Supervisors as an inducement to join or upon joining the Company or as a compensation for loss of office.



NOTES TO FINANCIAL STATEMENTS

Year 2024

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related Party Transactions (Continued)

5. Remuneration of key management (Continued)

(2) Five highest paid employees

For the year ending 31 December 2024, the five highest paid employees comprise three Directors and two senior executives (2023: three Directors and two senior executives). Details of the remuneration of the Directors and Supervisors are set out in note XII(IV) 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	710,136.18	533,373.79
Performance bonuses		41,600.00
Retirement scheme contributions	75,728.64	73,064.16
Total	785,864.82	648,037.95

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	2	2



NOTES TO FINANCIAL STATEMENTS

Year 2024

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Amounts due from/to related party

1. Amounts due from related parties

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Trade receivables					
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	79,469,837.07	8,117,247.33	27,665,497.71	1,838,523.65
	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)	367,151.38	95,104.18	509,151.62	38,104.98
	Jilin Province Heating Group Co., Ltd* (吉林省熱力集團有限公司)	11,435,587.82	1,047,765.75	663,852.10	124,603.91
	Inner Mongolia Chuncheng Heating Service Co., Ltd* (內蒙古春城熱力服務有限公司)	1,740,218.80	136,259.13	23,864.80	5,616.60
	Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	2,385,656.40	234,979.00	1,207,560.20	108,088.06
	Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	569,715.92	44,608.76		
	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)	4,093,384.48	320,512.00		
Prepayments					
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	177,032,646.00		57,264,909.00	
Other receivables					
	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)	15,000.00	15,000.00	15,000.00	15,000.00
	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)			385.23	48.76
Contract assets					
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	16,583,188.83	1,298,463.69	4,566,041.96	1,910,789.87
	Jilin Province Heating Group Co., Ltd* (吉林省熱力集團有限公司)	301,686.72	23,622.07		
	Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	17,620.08	1,379.65		
	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)	126,599.52	9,912.74		
	Inner Mongolia Chuncheng Heating Service Co., Ltd* (內蒙古春城熱力服務有限公司)	53,821.20	4,214.20		
	Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	64,005.18	5,011.61		



NOTES TO FINANCIAL STATEMENTS

Year 2024

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Amounts due from/to related party (Continued)

2. Amounts due to related parties

Item	Related party	Closing Carrying balance	Closing Carrying balance of previous year
Trade payables			
	Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業 有限責任公司)	22,856,716.09	19,069,082.90
	Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力 有限公司)	3,004,821.75	509,323.83
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團) 有限責任公司)	13,494,000.00	
Other payables			
	Jilin Province Changre Properties Co., Ltd.* (吉林省長熱物業 有限公司)		91,909.80
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團) 有限責任公司)	4,477,732.80	4,905,228.57
Contract liabilities			
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團) 有限責任公司)		2,462,589.02
Non-current liabilities due within one year			
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團) 有限責任公司)	5,831,964.67	2,200,650.28
Lease liabilities			
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團) 有限責任公司)	6,446,177.14	4,721,911.22



NOTES TO FINANCIAL STATEMENTS

Year 2024

XIII. SHARE-BASED PAYMENT

Nil.

XIV. COMMITMENT AND CONTINGENCY

(I) Significant Commitment

The Company has no significant commitments which shall be disclosed as of 31 December 2024.

(II) Contingency

The Company has no significant contingency which needs to be disclosed as of 31 December 2024.

XV. EVENTS AFTER BALANCE SHEET DATE

(I) Particulars of Profit Distribution

The Board resolved on 28 March 2025 to make a distribution of dividend amounting to RMB0.065 per share (tax inclusive) to shareholders for the year ended 31 December 2024, 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.

(II) PARTICULARS OF OTHER EVENTS AFTER BALANCE SHEET DATE

Pursuant to the circular of the Company issued on the Hong Kong Stock Exchange on 9 December 2024, the Company, as lender, and Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), a controlling shareholder of the Company, as borrower, entered into the Loan Agreement, with amount of not more than RMB300 million and an interest rate of 4.5% per annum. The Loan is provided for the "Retreat from the City and Enter into the Suburbs Project" (退城進郊項目) transformation of old pipe network(s), as well as for general working capital. The first tranche of the Loan was provided on 6 January 2025. As of the date of Auditor's Report, the total amount of the Loan was RMB201 million, at an interest rate of 4.5%.

According to the circular issued by the Company on the Hong Kong Stock Exchange on 9 December 2024, since the Company is mainly engaged in heating service business, to further enhance its heat production efficiency, increase its capabilities on heat source protection, and significantly reduce the amount of continuing connected transactions between the Company and its controlling shareholder Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the Company intended to purchase structures, coal-fired boilers and ancillary equipment used for heat production purposes from Changre Group, with an agreed amount of RMB82,886,461.00. The transaction was approved by the Board and the general meeting of the Company and was completed on 25 January 2025. The ownership of the relevant assets has been transferred to the Company.



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVI. OTHER SIGNIFICANT MATTERS

(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 cashflow 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.

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.



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVI. OTHER SIGNIFICANT MATTERS (Continued)

(I) Segment Information (Continued)

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.

3. Financial information of the reportable segments

Item	31 December 2024/January to December 2024			
	Heat supply segment	Construction, maintenance and design services segment	Write-off	Total
I. TOTAL OPERATING INCOME	1,621,633,563.59	288,068,570.10	-104,001,969.78	1,805,700,163.91
Of which: Income from transactions with external customers	1,615,314,894.83	190,385,269.08		1,805,700,163.91
Income from inter-segment transactions	6,318,668.76	97,683,301.02	-104,001,969.78	
II. OPERATING COSTS	1,396,420,749.62	246,886,388.80	-94,761,986.95	1,548,545,151.47
Of which: Depreciation expenses and amortization expenses				
III. INVESTMENT INCOME FROM ASSOCIATES AND JOINT VENTURES				
IV. CREDIT IMPAIRMENT LOSS	-15,062,678.18	-5,855,606.35		-20,918,284.53
V. IMPAIRMENT LOSS ON ASSETS	-10,386,386.06	18,284,295.79		7,897,909.73
VI. TOTAL ASSETS	4,671,455,365.25	477,301,163.67	-1,402,920,449.26	3,745,836,079.66
VII. TOTAL LIABILITIES	3,312,986,981.16	255,428,183.39	-865,738,896.98	2,702,676,267.57
VIII. OTHER IMPORTANT NON-CASH ITEMS				



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVI. OTHER SIGNIFICANT MATTERS (Continued)

(II) Segment Information (Continued)

3. Financial information of the reportable segments (Continued)

Item	31 December 2023/January to December 2023			
	Heat supply segment	Construction, maintenance and design services segment	Write-off	Total
I. TOTAL OPERATING INCOME	1,576,503,226.62	212,285,644.28	-94,372,035.02	1,694,416,835.88
Of which: Income from transactions				
with external customers	1,570,725,340.02	123,691,495.86		1,694,416,835.88
Income from inter-segment transactions	5,777,886.60	88,594,148.42	-94,372,035.02	
II. OPERATING COSTS	1,402,300,302.76	117,746,720.60	-91,520,549.11	1,428,526,474.25
Of which: Depreciation expenses and amortization expenses				
III. INVESTMENT INCOME FROM ASSOCIATES AND JOINT VENTURES				
IV. CREDIT IMPAIRMENT LOSS	-11,917,967.89	8,346,223.40		-3,571,744.49
V. IMPAIRMENT LOSS ON ASSETS	-162,606.17	130,547.36		-32,058.81
VI. TOTAL ASSETS	3,991,892,751.04	332,116,697.81	-1,317,416,565.40	3,006,592,883.45
VII. TOTAL LIABILITIES	2,614,577,504.30	188,665,674.73	-786,496,774.38	2,016,746,404.65
VIII. OTHER IMPORTANT NON-CASH ITEMS				



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Trade Receivables

1. Disclosure of the ageing of trade receivables based on billing date

Ageing	Closing balance	Closing balance of previous year
Within 1 year	68,411,880.16	32,498,700.30
1 to 2 years	14,891,342.10	17,680,258.62
2 to 3 years	11,545,582.49	9,282,897.21
3 to 4 years	4,795,076.05	6,108,862.73
4 to 5 years	4,918,322.91	149,870.11
Over 5 years	1,696,786.66	3,483,942.30
Sub-total	106,258,990.37	69,204,531.27
Less: provision for bad debts	9,732,890.18	9,621,307.50
Total	96,526,100.19	59,583,223.77

2. Disclosure based on classification of provision method for bad debts

Category	Closing balance				Closing balance of previous year			
	Carrying balance		Provision for bad debts		Carrying balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Amount	Proportion (%)	Amount	Proportion of provision (%)
Provision for bad debts on an individual basis								
Provision for bad debts on a portfolio basis for credit risk characteristics	106,258,990.37	100.00	9,732,890.18	9.16	69,204,531.27	100.00	9,621,307.50	13.90
Of which:								
Ageing portfolio								
— Heat supply business	68,595,465.94	64.55	6,537,240.53	9.53	36,595,125.42	52.88	6,727,316.91	18.38
Ageing portfolio								
— Basic heating fee	27,095,572.96	25.50	3,095,709.42	11.43	24,468,822.38	35.36	2,893,990.59	11.83
Related party portfolio	10,567,951.47	9.95	99,940.23	0.95	8,140,583.47	11.76		
Total	106,258,990.37	100.00	9,732,890.18	9.16	69,204,531.27	100.00	9,621,307.50	13.90



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(I) Trade Receivables (Continued)

2. Disclosure based on classification of provision method for bad debts (Continued)

Provision for bad debts on a portfolio basis for credit risk characteristics:

(1) Ageing portfolio — Heat supply business

Name	Trade receivables	Closing balance Provision for bad debts	Proportion of provision (%)
Within 1 year	57,850,861.79	2,337,174.81	4.04
1 to 2 years	6,451,343.02	1,427,037.08	22.12
2 to 3 years	325,841.65	105,703.03	32.44
3 to 4 years	389,962.98	185,583.38	47.59
4 to 5 years	2,563,074.32	1,467,360.05	57.25
Over 5 years	1,014,382.18	1,014,382.18	100.00
Total	68,595,465.94	6,537,240.53	

(2) Ageing portfolio — Basic heating fee

Name	Trade receivables	Closing balance Provision for bad debts	Proportion of provision (%)
Within 1 year	8,087,250.37	485,235.02	6.00
1 to 2 years	8,439,999.08	662,539.93	7.85
2 to 3 years	5,470,975.86	593,053.78	10.84
3 to 4 years	4,405,113.07	670,017.70	15.21
4 to 5 years	9,830.10	2,458.51	25.01
Over 5 years	682,404.48	682,404.48	100.00
Total	27,095,572.96	3,095,709.42	



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(I) Trade Receivables (Continued)

3. Provision in the current period, provision for bad debts reversed or recovered

Item	Closing balance of previous year	Movement during the current period				Closing balance
		Provision	Recovered or reversed	Charge-off or write-off	Other changes	
Ageing portfolio — Heat supply business	6,727,316.91	3,420,912.91	3,401,569.30	209,419.99		6,537,240.53
Ageing portfolio — Basic Heating fee	2,893,990.59	540,084.07	338,365.24			3,095,709.42
Related party portfolio		99,940.23				99,940.23
Total	9,621,307.50	4,060,937.21	3,739,934.54	209,419.99		9,732,890.18



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(I) Trade Receivables (Continued)

4. Particulars of the top five trade receivables and contract assets by debtors at the end of the period

Name	Closing balance of trade receivables	Closing balance of contract assets	Closing balance of trade receivables and contract assets	Percentage to the total closing balance of trade receivables and contract assets at the end of the period (%)	Closing balance of bad debt provision for trade receivables and provision for impairment of contract assets
Changchun Sunshine Heating Co., Ltd.* (長春市陽光供熱有限責任公司)	8,075,658.64		8,075,658.64	7.60	326,256.61
Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司)	5,748,764.98		5,748,764.98	5.41	
Changchun Jinyi Real Estate Development Limited* (長春錦溢房地產開發有限公司)	3,000,000.00		3,000,000.00	2.82	663,600.00
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	2,473,768.00		2,473,768.00	2.33	99,940.23
Jilin Ruixing Property Services Co., Ltd.* (吉林省瑞星物業服務有限責任公司)	1,520,332.25		1,520,332.25	1.43	870,390.21
Total	20,818,523.87		20,818,523.87	19.59	1,960,187.05



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Other receivables

Item	Closing balance	Closing balance of previous year
Other receivables	198,247,101.59	42,412,432.21
Total	198,247,101.59	42,412,432.21

1. Other receivables

(1) Disclosure based on ageing

Ageing	Closing balance	Closing balance of previous year
Within 1 year	196,467,132.42	8,138,507.72
1 to 2 years	3,125,308.73	10,931,417.35
2 to 3 years	5,000,000.00	18,499,999.99
3 to 4 years	7,197,000.00	50,000.00
4 to 5 years	50,000.00	833,276.45
Over 5 years	2,184,845.06	8,980,414.61
Sub-total	214,024,286.21	47,433,616.12
Less: Provision for bad debts	15,777,184.62	5,021,183.91
Total	198,247,101.59	42,412,432.21



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Other receivables (Continued)

1. Other receivables (Continued)

(2) Segment disclosure based on provision for bad debts

Category	Closing balance				Closing balance of previous year					
	Carrying balance		Provision for bad debts		Carrying amount	Carrying balance		Provision for bad debts		
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
		(%)		of provision			(%)		of provision	(%)
									Carrying amount	
Provision for bad debts on an individual basis										
Provision for bad debts on a portfolio basis for credit risk characteristics	214,024,286.21	100.00	15,777,184.62	7.37	198,247,101.59	47,433,616.12	100.00	5,021,183.91	10.59	42,412,432.21
Of which:										
Aging portfolios	148,363,544.07	69.32	15,777,184.62	10.63	132,586,359.45	15,058,142.98	31.75	5,021,183.91	33.35	10,036,959.07
Related party portfolio	65,660,742.14	30.68			65,660,742.14	32,375,473.14	68.25			32,375,473.14
Total	214,024,286.21	100.00	15,777,184.62	7.37	198,247,101.59	47,433,616.12	100.00	5,021,183.91	10.59	42,412,432.21

Provision for bad debts on a portfolio basis for credit risk characteristics:

Items provided on a portfolio basis:

Name	Other receivables	Closing balance Provision for bad debts	Proportion of provision (%)
Aging portfolios	148,363,544.07	15,777,184.62	10.63
Total	148,363,544.07	15,777,184.62	



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(III) Other receivables (Continued)

1. Other receivables (Continued)

(3) Particulars of provision for bad debts

Provision for bad debts	Stage one Future 12-months ECL	Stage two Lifetime ECL (not credit impaired)	Stage three Lifetime ECL (credit impaired)	Total
Closing balance of previous year	5,021,183.91			5,021,183.91
Closing balance of previous year during the current period				
— transferred to stage two				
— transferred to stage three				
— reversed to stage two				
— reversed to stage one				
Provision in the current period	14,926,142.13			14,926,142.13
Reversal in the current period	92,301.96			92,301.96
Charge-off in the current period	4,077,839.46			4,077,839.46
Written-off in the current period				
Other changes				
Closing balance	15,777,184.62			15,777,184.62

The movement in carrying balance of other receivables is as follows:

Carrying balance	Stage one Future 12-months ECL	Stage two Lifetime ECL (not credit impaired)	Stage three Lifetime ECL (credit impaired)	Total
Closing balance of previous year	47,433,616.12			47,433,616.12
Closing balance of previous year during the current period				
— transferred to stage two				
— transferred to stage three				
— reversed to stage two				
— reversed to stage one				
Increase during the current period	178,264,036.74			178,264,036.74
Derecognition during the current period	11,673,366.65			11,673,366.65
Other changes				
Closing balance	214,024,286.21			214,024,286.21



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Other receivables (Continued)

1. Other receivables (Continued)

(4) Provision in the current period, provision for bad debts reversed or recovered

Category	Closing balance of previous year	Amount of change during the current period				Closing balance
		Provision	Recovered or reversed	Charge-off or written-off	Other changes	
Ageing portfolio	5,021,183.91	14,926,142.13	92,301.96	4,077,839.46		15,777,184.62
Total	5,021,183.91	14,926,142.13	92,301.96	4,077,839.46		15,777,184.62

(5) Classification by nature of the receivables

Nature of the amount	Closing balance	Closing balance of previous year
Petty money	113,526.65	135,726.65
Current account payment	203,660,742.14	47,297,889.47
Others	10,250,017.42	
Total	214,024,286.21	47,433,616.12



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Other receivables (Continued)

1. Other receivables (Continued)

(6) Particulars of the top five other receivables at the end of the period by debtors

Name	Nature of the amount	Closing balance	Ageing	Percentage to the closing Balance of other receivables (%)	Closing balance of provision for bad debts
Changchun Urban Pipeline Construction Investment (Group) Co., Ltd* (長春城市管綫建設投資(集團)有限公司)	Current Account Payment	138,000,000.00	Within 1 year	64.48	14,614,200.00
Jilin Chuncheng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司)	Current Account Payment	27,642,500.00	Within 1 year	12.92	
Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司)	Current Account Payment	21,697,000.00	Within 1 year, 1-2 years, 2-3 years, 3-4 years	10.14	
Jilin Province Changre Maintenance Service Company Limited* (吉林省長熱維修實業有限公司)	Current Account Payment	11,949,000.00	Within 1 year	5.58	
Jilin Hongfu Real Estate Development Co., Ltd* (吉林省弘富房地產開發有限責任公司)	Current Account Payment	8,945,856.16	Within 1 year	4.18	947,366.17
Total		208,234,356.16		97.30	15,561,566.17

(III) Long-term Equity Investments

Item	Closing balance			Closing balance of previous year		
	Closing balance	Impairment provision	Carrying amount	Closing balance	Impairment provision	Carrying amount
Investments in subsidiaries	585,309,527.07		585,309,527.07	585,309,527.07		585,309,527.07
Investments in associates and joint ventures						
Total	585,309,527.07		585,309,527.07	585,309,527.07		585,309,527.07



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(III) Long-term Equity Investments (Continued)

1. Investments in subsidiaries

Investee	Closing balance of previous year	Closing balance of impairment provision of previous year	Changes during the current period				Closing balance	Closing balance of impairment provision
			Additional investment	Reducing investment	Impairment provision during the current period	Others		
Changchun Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程責任有限公司)	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	
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	
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	
Jilin Province Chunmeng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司)	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	
Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司)	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	
Jilin Province Northeast Heating Co., Ltd.* (吉林省東北供熱有限公司)								
Jilin Chunmeng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司)	43,500,000.00						43,500,000.00	
Total	585,309,527.07						585,309,527.07	

(IV) Operating Income and Operating Costs

1. Operating income and operating costs

Item	Current period		Previous period	
	Income	Cost	Income	Cost
Principal business	1,046,778,474.07	887,415,364.33	1,007,771,162.97	841,869,907.92
Other businesses	11,729,883.41	9,611,860.16	5,025,996.51	41,061.95
Total	1,058,508,357.48	897,027,224.49	1,012,797,159.48	841,910,969.87



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(IV) Operating Income and Operating Costs (Continued)

2. Breakdown of operating income and operating costs

Particulars of income from contract with customers during the current period :

Contract category	Incurred during the current period		Total
	Heat supply business	Construction, maintenance and design services	
I. By commodity	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Heat supply	970,169,622.36		970,169,622.36
Pipeline connection fee	58,270,134.97		58,270,134.97
Heat transmission	18,338,716.74		18,338,716.74
Others		11,729,883.41	11,729,883.41
II. By business area	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Northeast region	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Others			
III. By market or customer	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Corporate	391,985,750.02	11,729,883.41	403,715,633.43
Residential	654,792,724.05		654,792,724.05
IV. By contract	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Sales	1,028,439,757.33	7,210,165.78	1,035,649,923.11
Service	18,338,716.74	4,519,717.63	22,858,434.37
V. By the time of commodity transfer	1,046,778,474.07	11,729,883.41	1,058,508,357.48
At a point in time		7,210,165.78	7,210,165.78
Over a period of time	1,046,778,474.07	4,519,717.63	1,051,298,191.70
VI. By contract term	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Within 1 year	988,508,339.10	7,210,165.78	995,718,504.88
Over 1 year	58,270,134.97	4,519,717.63	62,789,852.60
VII. By sales channel	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Centralized heating	1,046,778,474.07		1,046,778,474.07
Others		11,729,883.41	11,729,883.41
Total	1,046,778,474.07	11,729,883.41	1,058,508,357.48



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(IV) Operating Income and Operating Costs (Continued)

2. Breakdown of operating income and operating costs (Continued)

Particulars of income from contract with customers during the current period : (Continued)

Contract category	Incurred during the previous period		Total
	Heat supply business	Construction, maintenance and design services	
1. By commodity	1,007,771,162.97	5,025,996.51	1,012,797,159.48
Heat supply	924,072,473.58		924,072,473.58
Pipeline connection fee	59,214,997.70		59,214,997.70
Heat transmission	24,483,691.69		24,483,691.69
Other		5,025,996.51	5,025,996.51
2. By business area	1,007,771,162.97	5,025,996.51	1,012,797,159.48
Northeast region	1,007,771,162.97	5,025,996.51	1,012,797,159.48
Other			
3. By market or customer	1,007,771,162.97	5,025,996.51	1,012,797,159.48
Corporate	376,695,680.65	5,025,996.51	381,721,677.16
Residential	631,075,482.32		631,075,482.32
4. By contract	1,007,771,162.97	5,025,996.51	1,012,797,159.48
Sales	983,287,471.28	41,061.95	983,328,533.23
Service	24,483,691.69	4,984,934.56	29,468,626.25
5. By the time of commodity transfer	1,007,771,162.97	5,025,996.51	1,012,797,159.48
At a point in time		41,061.95	41,061.95
Over a period of time	1,007,771,162.97	4,984,934.56	1,012,756,097.53
6. By contract term	1,007,771,162.97	5,025,996.51	1,012,797,159.48
Within 1 year	948,556,165.27	132,805.07	948,688,970.34
Over 1 year	59,214,997.70	4,893,191.44	64,108,189.14
7. By sales channel	1,007,771,162.97	5,025,996.51	1,012,797,159.48
Centralized heating	1,007,771,162.97		1,007,771,162.97
Other		5,025,996.51	5,025,996.51
Total	1,007,771,162.97	5,025,996.51	1,012,797,159.48



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVIII. SUPPLEMENTAL INFORMATION

(II) Breakdown of Non-recurring Profit or Loss for the Period

Item	Amount	Description
Gains or loss on disposal of non-current assets, including the offset part for which provision was made	86,422.03	
Government grants recognised in profit or loss for the current period, save for grants that are closely related to the normal business operations of the Company, in line with the requirements under the state's policies, enjoyed under established standards and has lasting impact on the Company's profit or loss	5,956,302.45	
Gains and losses arising from changes in fair value of financial assets and liabilities held by non-financial enterprises and gains and losses arising from disposal of financial assets and liabilities, save for those arising from effective hedging activities that were related to the Company's normal business operations		
Occupancy fee on funds received from non-financial corporations credited to current profit or loss		
Gain or loss on entrusted investment or management of assets		
Gain or loss from external entrusted loans		
Loss of assets due to force majeure events, such as natural disasters		
Reversal of provision for impairment loss on receivables subject to individual impairment test		
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		
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 on exchange of non-monetary assets		
Gain or loss on debt restructuring		
One-off costs incurred by the Company due to the discontinuing of its relevant operating activities, such as expenses for relocating employees		
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		
Share-based payments recognised on a one-off basis due to the cancellation and modification of a share incentive scheme		
For cash-settled share-based payments, gains and losses arising from changes in the fair value of employee compensation payable after the date on which the right is exercisable		
Gain or loss arising from changes in the fair value of investment properties subsequently measured using the fair value model		
Revenue from businesses with significantly unfair transaction prices		
Gain or loss arising from contingencies not related to the Company's normal business operations		
Custody fee income from trustee operations	4,608,310.37	
Non-operating income and expenses other than those mentioned above	184,016.22	
Other items of profit or loss that meet the definition of non-recurring profit or loss	30,805.25	
Sub-total	10,865,856.32	
Impact of income tax	2,628,455.87	
Impact of minority interests (after tax)		
Total	8,237,400.45	



NOTES TO FINANCIAL STATEMENTS

Year 2024

XVIII. SUPPLEMENTAL INFORMATION (Continued)

(II) Return on Net assets and Earnings per Share

Profit during the Reporting Period	Weighted average return rate on net assets (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	9.77	0.21	0.21
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	8.97	0.20	0.20

Jilin Province Chuncheng Heating Company Limited

28 March 2025



DEFINITIONS

"AGM"	the annual general meeting of the Company for the year 2024 to be held on Friday, 16 May 2025 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"	the Accounting Standards for Business Enterprises — Basic Standards (《企業會計準則—基本準則》) issued by the Ministry of Finance and the specific accounting standards for business enterprises, the application guidance for the ASBEs, the interpretation of ASBEs and other relevant requirements
"Board"	the board of Directors of the Company
"Changre Group"	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the controlling Shareholder of the Company, and a state-owned company (wholly-owned by the Changchun SASAC) established in the PRC on 28 April 1998 which held approximately 69.75% of the total share capital of the Company as at the Latest Practicable Date
"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 PRC and Taiwan
"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 C1 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 or partially charge for our heat fees
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK\$"	the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "Stock Exchange"	the Stock Exchange of Hong Kong Limited



DEFINITIONS

"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 C3 to the Listing Rules
"Reporting Period"	the period from 1 January 2024 to 31 December 2024
"RMB"	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. SHI Mingjun *(resigned on 28 March 2025)*
Mr. XU Chungang
Mr. LI Yeji *(resigned on 16 April 2025)*

NON-EXECUTIVE DIRECTORS

Mr. SONG Chi *(Chairman of the Board)*
(appointed with effect from 31 May 2024)
Mr. YANG Zhongshi *(re-designated as a non-executive Director on 28 March 2025)*
Mr. SUN Huiyong *(Former Chairman of the Board)*
(resigned on 21 March 2024)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FU Yachen
Mr. POON Pok Man
Ms. ZHANG Yan
(appointed with effect from 31 May 2024)
Mr. WANG Yuguo
(retired on 31 May 2024)

SUPERVISORS

Mr. QIU Jianhua *(Chairman)*
Ms. ZHANG Wei
Ms. LI Xiaoling

AUTHORIZED REPRESENTATIVES

Mr. XU Chungang
Mr. WAN Tao

AUDIT COMMITTEE

Mr. POON Pok Man *(Chairman)*
Mr. FU Yachen
(appointed with effect from 31 May 2024)
Mr. SUN Huiyong
(resigned on 21 March 2024)
Ms. ZHANG Yan
(appointed with effect from 31 May 2024)
Mr. WANG Yuguo
(resigned on 31 May 2024)

REMUNERATION COMMITTEE

Mr. FU Yachen *(Chairman)*
Mr. XU Chungang
Mr. POON Pok Man



CORPORATE INFORMATION

NOMINATION COMMITTEE

Ms. ZHANG Yan (*Chairman*)
(*appointed with effect from 31 May 2024*)
Mr. WANG Yuguo (*Chairman*)
(*resigned on 31 May 2024*)
Mr. YANG Zhongshi
Mr. FU Yachen

STRATEGY COMMITTEE

Mr. SONG Chi (*Chairman*)
(*appointed with effect from 31 May 2024*)
Mr. SUN Huiyong (*Chairman*)
(*resigned on 21 March 2024*)
Mr. SHI Mingjun (*resigned on 28 March 2025*)
Ms. ZHANG Yan
(*appointed with effect from 31 May 2024*)
Mr. WANG Yuguo
(*resigned on 31 May 2024*)

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

AUDITOR

BDO China SHU LUN PAN Certified Public
Accountants LLP
4F, No.61, East Nanjing Road,
Huangpu District, Shanghai

LEGAL ADVISERS

as to Hong Kong law: Loeb & Loeb LLP
2206-19 Jardine House,
1 Connaught Place,
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)
Bank of Jilin Co., Ltd. (Qinhuangdao Road 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)