



慧居科技

慧居科技股份有限公司
Wise Living Technology Co., Ltd

(於中華人民共和國註冊成立的股份有限公司)
(A joint stock limited liability company incorporated in the People's Republic of China)

股份代號 Stock code : 2481



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Corporate Information

EXECUTIVE DIRECTORS

Mr. Li Baoshan (*Chairman*)
(*re-designated to Chairman on 9 December 2024*)
Mr. Liu Zhigang (*appointed on 6 March 2025*)
Mr. Luo Wei
Mr. Geng Ming (*Chairman*) (*resigned on 9 December 2024*)

NON-EXECUTIVE DIRECTORS

Mr. Miao Wenbin
Mr. Ma Fulin
Ms. Xu Lijie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Tse Hiu Tung, Sheldon
Mr. Cheung Ho Kong
Dr. Zhu Qing

SUPERVISORY COMMITTEE

Mr. Ma Peilin (*Chairman*)
Mr. Chen Zhen
Mr. Wang Shuai (*appointed on 22 January 2024*)
Mr. Liu Zhigang (*resigned on 22 January 2024*)

AUDIT COMMITTEE

Mr. Cheung Ho Kong (*Chairman*)
Mr. Miao Wenbin
Dr. Zhu Qing

REMUNERATION COMMITTEE

Dr. Zhu Qing (*Chairman*)
Mr. Ma Fulin
Dr. Tse Hiu Tung, Sheldon

NOMINATION COMMITTEE

Mr. Li Baoshan (*Chairman*)
(*appointed on 9 December 2025*)
Dr. Tse Hiu Tung, Sheldon
Dr. Zhu Qing
Mr. Geng Ming (*resigned on 9 December 2025*)

JOINT COMPANY SECRETARIES

Mr. Ma Ke
Ms. Chan Charmayne (*appointed on 17 January 2025*)
Mr. Tso Ping Cheong, Brian *FCPA, FCCA, FCG, HKFCG*
(*resigned on 17 January 2025*)

AUTHORISED REPRESENTATIVES

Mr. Li Baoshan (*appointed on 9 December 2024*)
Mr. Luo Wei
Mr. Geng Ming (*resigned on 9 December 2024*)

REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

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Jiangsu Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPLIANCE ADVISER

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LEGAL ADVISERS

As to Hong Kong law
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18 Chater Road
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As to PRC law
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AUDITOR

PricewaterhouseCoopers
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22/F, Prince's Building
Central
Hong Kong

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

PRINCIPAL BANKS

Jiangsu Jiangyin Rural Commercial Bank Co., Ltd.
Ligang Sub-branch
No. 180, Lizhong Street, Ligang Town
Jiangyin City
Jiangsu Province
The PRC

China Construction Bank Corporation
Jiayin Lingang Xincheng Sub-branch
No. 151–161, Li'nan Street, Ligang Town
Jiangyin City
Jiangsu Province
The PRC

STOCK CODE

2481

COMPANY WEBSITE ADDRESS

<http://www.hjkj.cn>

Financial Performance Highlights

Consolidated Statement of Comprehensive Income

	Year ended 31 December		
	2024 (RMB'000) (Audited)	2023 (RMB'000) (Audited)	Change (Approx.)
Revenue	1,648,287	1,534,035	+7.4%
Profit and total comprehensive income attributable to owners of the Company	164,154	148,980	+10.2%
Earnings per share for profit attributable to owners of the Company (express in RMB per share)			
– Basic and diluted	0.54	0.57	-0.03

Consolidated Statement of Financial Position

	As at 31 December		
	2024 (RMB'000) (Audited)	2023 (RMB'000) (Audited)	Change (Approx.)
Total assets	5,966,668	5,796,958	+2.9%
Equity attributable to owners of the Company	1,174,722	1,055,808	+11.3%
Total liabilities	4,537,820	4,497,953	+0.9%

Key Financial Ratios

	As at/for the year ended 31 December		
	2024	2023	Change (Approx.)
Current ratio ^(Note 1)	0.8	0.8	0
Quick ratio ^(Note 2)	0.8	0.8	0
Return on total assets ^(Note 3)	4.0%	4.1%	-0.1%
Return on equity ^(Note 4)	17.4%	20.4%	-3.0%
Gearing ratio ^(Note 5)	0.5	0.6	-0.1
Net debt to equity ratio ^(Note 6)	0.06	0.01	+0.05
Net profit margin ^(Note 7)	14.4%	14.8%	-0.4%

Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of the year.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the end of the year.
- (3) Return on total assets is calculated by dividing net profit by the average balances of the total assets for the year.
- (4) Return on equity is calculated by dividing net profit by the average balances of equity for the year.
- (5) Gearing ratio is calculated by dividing total borrowings by total equity as at the end of the year.
- (6) Net debt to equity ratio is calculated by dividing net debt by total equity as at the end of the year.
- (7) Net debt is calculated as total borrowings less cash and cash equivalents as at the end of the year. Net profit margin is equal to net profit divided by total revenue for the year.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of the Company, I am pleased to present the annual report of the Company for the year ended 31 December 2024 to you.

2024 was an important year, which witnessed the continuous and deepening development of China's energy transition and the accelerated evolution of the new round of global energy science and technology revolution and industrial revolution. The world is ushering in an era of low-carbon development, with the global energy sources evolving towards high efficiency, cleanliness and decarbonisation. China's heat service industry is also facing an unprecedented period of transformation and reform.

2024 was a very important year for our country, witnessing the domestic economy's rebound and continued progress towards high-quality development, despite a complex and volatile external environment and increasing internal difficulties. It was also a critical year for the Company, which overcame the impact of the general environment with the help of the national policies, and took the pace of long-term steady development towards new strategic goals from a new starting point after listing.

In the past year, the Company has adhered to its business strategy of "Sticking to the Three North Region and expanding our national footprint", and continued to promote the Baotou project, which was acquired in the Baotou Tuyou New Industrial Park of Inner Mongolia Autonomous Region in the year before last. Baotou Project was our first venture in providing heat services of steam supply for enterprises to meet their industrial steam needs and it laid the foundation for the industrial steam business of the Group. The Baotou Project is expected to support the supply of steam for heating in June 2025. As a cross-provincial heat service provider in the PRC, we are striving to strengthen our foundation for cross-provincial development while constantly exploring the national market, so as to accumulate strength for our cross-provincial expansion and build our brand image.

Over the past year, we have also continually focused on enhancing our core competitiveness with a significant emphasis on technological and digital innovation. Each company within the Group continued to attach great importance to technological innovations, with the overall goal of "production integration, operation integration and management integration" set and the development plan for the digital heat supply service platform formulated in the first half of 2024. As of 31 December 2024, we have collected data related to the Company's operational production and customer service and have successfully developed an intelligent heat supply platform with real-time monitoring, remote control, automatic regulation and data analysis. In addition, in mid-2024, we worked with two universities in China to develop calculations such as intelligent heat supply load forecasting and predictive regulation, with a view to further enhancing the functions of our intelligent heat supply platform.

In 2025, we will continue to be guided by the "Dual Carbon" Goals (carbon peaking and carbon neutrality goals) and take advantage of China's energy transition as an opportunity. While ensuring steady growth in the performance of our existing concession projects, especially by ensuring the successful commencement of providing heat services of steam supply of the Baotou Project and achieving an effective increase in the actual heat service area of the Xinmi Project and the Project for Replacement of Coal-fired Boiler with Geothermal Energy in Xi County, Shanxi Province, we will step up our efforts to capture more market shares and expand our current geographical coverage. In addition to ensuring the steady growth in the performance of our existing projects and seeking market expansion, the Group will continue to improve the development of our intelligent heat supply platform in 2025. It is expected that the construction of an integrated platform for production management, tariff operation and customer service will be completed by 2025.

In 2025, we will seek steady progress with quality enhancement, strengthen our foundation, build our brand, pursue expansion and enhance quality, in order to achieve comprehensive and high-quality development of the Company and to create greater value for our customers, Shareholders, employees and business partners. On behalf of the Board, I would like to thank all employees, Shareholders, customers and business partners!

Li Baoshan
Chairman

Management Discussion and Analysis

INDUSTRY REVIEW

Overview of the Heat Service Industry in the PRC

In the PRC, the demand for heat services has been increasing in recent years, with the total heat services area increasing from 8.8 billion sq.m. in 2018 to 11.5 billion sq.m. in 2023. It is expected that the total heat service area in the PRC will increase to 14.5 billion sq.m. in 2027. In line with the social-wide implementation of the “Dual Carbon” Goal (carbon peaking and carbon neutrality goals) and the background of accelerating development of a new-energy system in the PRC, clean heating has become a key area in the development of China’s new-energy system and also a critical part in achieving China’s green and low-carbon circular economic development system. The central government of the PRC encourages municipal governments to develop different ways of clean heating. In response to such industry trend, heat service companies have been innovating their heating technologies to achieve cleaner and more efficient heating services. Currently, the major measures for clean heating transformation in the heat service industry are to optimise heat sources with commitment to vigorously promoting clean heat resources. The 14th Five-Year Plan for Renewable Energy Development of the PRC (《“十四五”可再生能源發展規劃》) jointly issued by nine ministries and commissions including the National Development and Reform Commission of the PRC sets that by 2025 the scale of non-electric usage of geothermal heating, biomass heating and fuel and solar heating, should exceed 60 million tonnes of standard coal. Apart from heat sources optimisation, intelligent heating is also expected to play a crucial role in the transformation of clean heating. Through use of technologies such as artificial intelligence, cloud computing, big data, stimulation systems and Internet of Things, intelligent heating can realise unified management of production and allocation of heat supply system, real-time monitoring of the important facilities, equipment and their operating statistics within the system, achieve heat supply on actual and accurate demand, and accelerate the digitalisation, intellectualisation and green transformation of the heat service industry, thereby achieving the goals of energy conservation and carbon reduction.

Overview of the Engineering Construction Service Industry Specialising in Heat Facilities in the PRC

The development of the engineering construction service industry specialising in heat facilities in the PRC has benefited from the continuous development of the heating service industry, particularly the growing demand related to existing facility upgrades and new energy-efficient facility construction, and policy support from the PRC government. In anticipation of the continuous development of the heat services market in the PRC, it is expected that the market size of the engineering construction service industry specialising in heat facilities will increase to RMB70.8 billion in 2027.

Overview of the EMC Industry in the PRC

The EMC industry has developed rapidly in the PRC since the beginning of the “12th Five-Year Plan” (《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》). In line with the development of electricity and heat services industries in northern China, an increasing number of energy-related enterprises in this region are opting for EMC services as a way to fulfil their environmental protection objectives. The PRC government has also promulgated a series of regulations and policies to offer preferential tax treatments, interest subsidies and financial rewards for companies meeting energy conservation thresholds.

BUSINESS REVIEW

Overview

Since our inception in 2010, we have established a leading position in the heat service industry in the “Three North Region”. During the Reporting Period, our revenue was approximately RMB1,648.3 million, representing a growth of 7.5% as compared with approximately RMB1,534.0 million for the Corresponding Period. The profit attributable to owners of the Company during the Reporting Period was RMB164.2 million, representing a growth of 10.2% as compared with RMB149.0 million for the Corresponding Period.

Management Discussion and Analysis

Business Model

During the Reporting Period, we were principally engaged in the provision of (a) heat services to residential and non-residential heat service customers under concession rights; (b) heat-related engineering construction services; and (c) heat-related EMC services.

(1) Heat Services

As at 31 December 2024, we had seven heat service projects under concession rights, three of the seven projects were in Shanxi Province, two were in Inner Mongolia Autonomous Region, one was in Gansu Province and one was in Henan Province. In respect of the Baotou Project, Wise Living Energy (Baotou) entered into the concession agreement with the Management Committee of Baotou Tuyou New Industrial Park of Inner Mongolia Autonomous Region* (內蒙古包頭土右新型工業園區管理委員會) on 19 September 2023. As of the date of this report, the Baotou Project is still under construction. The Baotou Project is expected to support the supply of steam for heating in June 2025. The documentation and procedures for the project are being processed, with the expectation that various registration and other procedures and pipeline operation permits will be completed and obtained by 30 June 2025, and the conditions for provision of heating energy services will be met. Our total actual heat service area was approximately 50.0 million sq.m. as at 31 December 2024, representing an increase of 5.5% from approximately 47.4 million sq.m. as at 31 December 2023. For the Reporting Period, revenue generated from our heat services was approximately RMB1,297.3 million (Corresponding Period: RMB1,202.0 million), including (a) fees from customers for provision and distribution of heat of approximately RMB1,011.1 million (Corresponding Period: RMB922.4 million), (b) price subsidies from local governments of approximately RMB179.8million (Corresponding Period: RMB180.9 million), and (c) pipeline connection fee of approximately RMB106.4 million (Corresponding Period: RMB98.7 million). The increase in the revenue generated from heat services for the Reporting Period was mainly attributable to (a) an increase in the revenue generated from provision and distribution of heat and pipeline connection fees due to an increase in actual heat service area and an increase in construction projects, and (b) an increase in heat rates of a certain concession project.

A. Heat Service Customers

During the Reporting Period, our heat service customers included both residential and non-residential heat service customers. As at 31 December 2024, we had approximately 400,797 heat service customers (31 December 2023: 386,806¹). The table below sets out our revenue generated from customers for our provision and distribution of heat by customer type for the periods indicated.

	Year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Residential	610,101	60.3	560,538	60.8
Non-residential	401,017	39.7	361,893	39.2
	1,011,118	100.0	922,431	100.0

¹ The previously reported figure in the Company's 2023 annual report for the number of heat service customers was 427,031. After adjusting the calculation methodology for these areas, the number of heat service customers has been revised down to more accurately reflect the actual figure.

Management Discussion and Analysis

B. Heat Sources

During the Reporting Period, our heat sources included (a) heat procured from third parties, and (b) heat self-produced by the Group (including heat produced by coal-fired boilers, residual heat collected at cogeneration plants and geothermal heat). Our access to different and diversified heat sources can ensure the provision of stable and reliable heat service to our heat service customers. The geothermal energy exploration and utilisation technologies developed by us have made significant contributions to our green heating.

C. Heat Distribution

Our heat distribution network comprises two component networks: (a) the primary distribution network, and (b) the secondary distribution network. As at 31 December 2024, we operated and owned most of our primary distribution pipelines with an aggregate length of approximately 644.4 kilometers (31 December 2023: 610.8 kilometers).

(2) Heat-related Engineering Construction Services

During the Reporting Period, revenue generated from our engineering construction services was approximately RMB322.2 million, representing an increase of 10.0% from approximately RMB292.8 million for the Corresponding Period, which was mainly due to an increase in construction projects. The table below sets out the revenue generated from our engineering construction services by service type for the periods indicated.

	Year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Engineering construction services for our concession operations	289,377	89.8	285,341	97.5
Engineering construction services provided to customers	32,790	10.2	7,459	2.5
Total	322,167	100.0	292,800	100.0

Management Discussion and Analysis

(3) Heat-related EMC Services

During the Reporting Period, we provided EMC services to an energy-consuming enterprise to achieve certain energy-saving goals. For the Reporting Period, revenue generated from this EMC project remained stable at approximately RMB2.5 million as compared to the Corresponding Period, which was derived from the share of profit accrued from energy conserved as a result of the EMC provided by the Group.

(4) Other Businesses

During the Reporting Period, we also engaged in other businesses, including (a) the sale of heat service facilities (including heat service equipment, devices and relevant parts) to operators who required such facilities for their business operations; (b) the provision of design services, which mainly consisted of indoor heat operation designing and consulting services, to some government authorities and commercial operators; and (c) the provision of heat transmission services to a number of customers. The revenue generated from other businesses amounted to RMB26.3 million, representing a decrease of 28.3% from RMB36.7 million for the Corresponding Period. This was mainly due to a decrease in the sales of heat service facilities.

(5) Honors and Awards

In February 2025, the Company was awarded with the Jiangyin City Outstanding Overseas Listed Company in 2024* (江陰市2024年度優秀境外上市公司) by the Jiangyin Listed Companies Association* (江陰市上市公司協會).

In June 2024, Hulunbuir Shuangliang was recognized as an “Excellent Integrity Demonstration Enterprise**” (優誠信示範企業) by the Development and Reform Commission of Inner Mongolia Autonomous Region* (內蒙古自治區發展和改革委員會).

In December 2023, Shuozhou City Renewable Energy Thermal Company Limited* (朔州市再生能源熱力有限公司) was awarded the “2024 Shanxi Civilized Unit* (2024年山西省文明單位)” award by the Leading Group for Propaganda, Ideology and Culture of Shanxi Provincial Committee* (山西省委員會宣傳思想工作領導小組).

In June 2023, Shanxi Shuangliang Renewable Energy was honored with the “2023 Taiyuan Outstanding Private Enterprise (2023年太原市優秀民營企業)” award by Taiyuan Municipal Committee* (太原市委) and Taiyuan Municipal People’s Government* (太原市人民政府).

Management Discussion and Analysis

FINANCIAL REVIEW

The following table sets forth the comparative statement of comprehensive income for the year ended 31 December 2024 and the year ended 31 December 2023, respectively.

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Revenue	1,648,287	1,534,035
Cost of sales	(1,189,033)	(1,139,869)
Gross profit	459,254	394,166
Administrative expenses	(167,350)	(175,157)
(Provision for)/reversal of impairment losses on financial assets and contract assets	(24,934)	11,980
Other income	36,940	73,041
Other losses — net	(6,198)	(5,112)
Operating profit	297,712	298,918
Finance income	18,522	18,231
Finance costs	(43,743)	(50,373)
Finance costs — net	(25,221)	(32,142)
Share of profit of associates accounted for using the equity method	16,100	15,374
Profit before income tax	288,591	282,150
Income tax expense	(51,172)	(55,316)
Profit and total comprehensive income for the year	237,419	226,834
Profit and total comprehensive income attributable to:		
— Owners of the Company	164,154	148,980
— Non-controlling interests	73,265	77,854
	237,419	226,834
Earnings per share (expressed in RMB per share)		
— Basic and diluted	0.54	0.57

Management Discussion and Analysis

Revenue

The following table sets out our revenue by type of service/product for the periods indicated.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Heat Services		
– Fees from customers for provision and distribution of heat	1,011,118	922,431
– Price subsidies from local government	179,853	180,929
– Pipeline connection fee	106,360	98,665
Sub-total	1,297,331	1,202,025
Engineering construction services	322,167	292,800
EMC services	2,480	2,480
Heat transmission services	4,385	4,506
Sales of goods	6,025	16,799
Design services	5,538	4,259
Others	10,361	11,166
Total	1,648,287	1,534,035

During the Reporting Period, our revenue was mainly generated from (a) fees from customers for provision and distribution of heat, (b) engineering construction services, and (c) price subsidies from local government, the majority of which were attributable to (a) and (b). For the Reporting Period, our revenue increased by 7.5% from approximately RMB1,534.0 million for the Corresponding Period to approximately RMB1,648.3 million for the Reporting Period, primarily due to (a) an increase in the revenue generated from the provision and distribution of heat and pipeline connection fees due to an increase in actual heat service area and an increase in pipeline construction projects, and (b) an increase in the revenue from engineering construction services.

Cost of Sales

During the Reporting Period, our cost of sales mainly includes (a) costs for purchases of heat, (b) construction costs, (c) amortisation of intangible assets, and (d) materials consumed. Our cost of sales increased by 4.3% from approximately RMB1,139.9 million for the Corresponding Period to approximately RMB1,189.0 million for the Reporting Period, primarily attributable to (a) an increase in costs for purchases of heat due to an increase in actual heat service area, (b) an increase in construction costs due to an increase in construction projects, and (c) an increase in amortisation of intangible assets due to an increase in the intangible assets in relation to operating concessions.

Management Discussion and Analysis

Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by type of service/product for the periods indicated.

	Year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
Heat services	411,867	31.8	352,329	29.3
Engineering construction services	40,612	12.6	28,119	9.6
EMC services	(417)	(16.8)	(384)	(15.5)
Heat transmission services	3,101	70.7	3,205	71.1
Sales of goods	1,480	24.6	7,622	45.4
Design services	859	15.5	(66)	(1.5)
Others	1,752	16.9	3,341	29.9
Total	459,254	27.9	394,166	25.7

For the Reporting Period, our gross profit was approximately RMB459.3 million, representing an increase of 16.5% as compared with approximately RMB394.2 million for the Corresponding Period.

For the Reporting Period, our gross profit margin was approximately 27.9% (Corresponding Period: 25.7%). The increase in gross profit margin was mainly attributable to (a) an increase in gross profit generated from heat services due to an increase in actual heat service areas and an increase in heat rates of a certain concession project, and (b) an increase in gross profit generated from engineering construction services.

Administrative Expenses

Our administrative expenses mainly consist of (a) employee benefit expenses, (b) business entertainment expenses, (c) depreciation of property, plant and equipment, and (d) travelling expenses. Our administrative expenses decreased by 4.5% from approximately RMB175.2 million for the Corresponding Period to approximately RMB167.4 million for the Reporting Period, primarily attributable to (a) the recognition of listing expenses in the Corresponding Period whereas no recognition of listing expenses was required for the Reporting Period, and (b) a decrease in entertainment expenses.

(Provision for)/Reversal of Impairment Losses on Financial Assets and Contract Assets

During the Reporting Period, we recorded a provision for impairment losses in respect of our trade, lease and other receivables and contract assets. For the Reporting Period, we record a provision for impairment losses of approximately RMB24.9 million, as compared with a reversal of impairment losses of approximately RMB12.0 million for the Corresponding Period, primarily due to an increase in expected credit loss rates resulting from an increase in long aging receivables.

Management Discussion and Analysis

Other Income

During the Reporting Period, our other income consisted of (a) government grants, and (b) rental income. For the Reporting Period, our other income was approximately RMB36.9 million, representing a decrease of approximately 49.5% from approximately RMB73.0 million for the Corresponding Period, primarily due to the compensation received and recognised by the Group in 2023 for the costs incurred in the provision of heat services in a certain concession project.

Other Losses — net

During the Reporting Period, our other losses-net consisted of (a) fair value losses of investment properties, (b) net foreign exchange gains/(losses), and (c) gains on extinguishment of account receivables. For the Reporting Period, our other losses-net was approximately RMB6.2 million, representing an increase of approximately 21.6% from approximately RMB5.1 million for the Corresponding Period, primarily due to an increase in fair value losses of investment properties due to the downturn in the property market in the PRC, which is partly offset by an increase in foreign exchange gains due to the appreciation in the exchange rate of HKD against RMB.

Finance Income and Costs

For the Reporting Period, our finance income amounted to approximately RMB18.5 million, representing an increase of approximately 1.6% from approximately RMB18.2 million for the Corresponding Period, primarily due to an increase in finance income derived from bank deposits as the Company has converted a portion of its short-term deposits into time deposits.

For the Reporting Period, our finance costs amounted to approximately RMB43.7 million, representing a decrease of approximately 13.3% from approximately RMB50.4 million for the Corresponding Period, primarily due to (a) a decrease in interest expenses on borrowings, and (b) a decrease in the semi-annual weighted average borrowing rate.

Income Tax Expenses

For the Reporting Period, our income tax expenses amounted to approximately RMB51.2 million, representing a decrease of approximately 7.4% from approximately RMB55.3 million for the Corresponding Period, primarily due to an increase in deferred income tax.

Profit and Total Comprehensive Income for the Year

For the Reporting Period, profit for the period amounted to approximately RMB237.4 million, representing an increase of approximately 4.7% from approximately RMB226.8 million for the Corresponding Period, primarily due to (a) an increase in revenue generated from heat services, and (b) an increase in revenue generated from engineering construction services.

Profit Attributable to Owners of the Company

For the Reporting Period, profit attributable to owners of the Company amounted to approximately RMB164.2 million, representing an increase of approximately 10.2% from approximately RMB149.0 million for the Corresponding Period. Profit attributable to owners of the Company was basically in line with the increase in profit for the Reporting Period.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, we financed our operations with cash inflow generated from the Group's operating activities and bank facilities. As at 31 December 2024, we had cash and cash equivalents of approximately RMB645.7 million (31 December 2023: RMB713.2 million) and restricted cash balances of approximately RMB74.2 million (31 December 2023: RMB86.5 million). The cash and cash equivalents of the Group are held in RMB and HKD. The restricted cash of the Group were deposits placed with the banks for the issuance of bank acceptance notes.

As at 31 December 2024, we had current assets of approximately RMB1,470.0 million (31 December 2023: RMB1,411.9 million) which comprised inventories, trade receivables, prepayments and other receivables, financial asset at fair value through profit or loss, restricted cash and cash and cash equivalents. As at 31 December 2024, we had current liabilities amounted to approximately RMB1,913.2 million (31 December 2023: RMB1,766.5 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 0.8 times as at 31 December 2024 (31 December 2023: 0.8 times).

Gearing ratio

As at 31 December 2024, the gearing ratio, calculated by dividing total borrowings by total equity, was 0.5 (31 December 2023: 0.6).

Borrowings

During the Reporting Period, our borrowings primarily consisted of bank borrowings. As at 31 December 2024, the bank borrowings were approximately RMB726.7 million (31 December 2023: RMB719.8 million), of which approximately RMB299.7 million will be repayable within 1 year (31 December 2023: RMB131.4 million). Our borrowings were all denominated in RMB.

As at 31 December 2024, bank borrowings of Hulunbuir Shuangliang amounting to approximately RMB149.2 million (2023: RMB148.5 million) were guaranteed by the Company and secured by certain trade receivables. Bank borrowings of Lanzhou Shuangliang amounting to approximately RMB102.4 million (2023: RMB103.9 million) were guaranteed by the Company and Gansu Shuangliang Energy System Investment Company Limited* (甘肅雙良能源系統投資有限公司) and secured by certain intangible assets. In addition, bank borrowings of Shuozhou City Renewable Energy Thermal Company Limited* (朔州市再生能源熱力有限公司) amounting to approximately RMB175.0 million (2023: RMB150.0 million) were guaranteed by Taiyuan City Renewable Energy Heat Supply Company Limited (太原市再生能源供熱有限公司) and the Company, and secured by price subsidy receivables and certain intangible assets. Furthermore, bank borrowings of Wise Living Tech-Thermal Power (Zhengzhou) Company Limited* (慧居科技熱力(鄭州)有限公司) amounting to approximately RMB9.9 million (2023: RMB5.5 million) were guaranteed by the Company and secured by certain trade receivables.

As at 31 December 2024, bank borrowing of Lanzhou Shuangliang amounting to approximately RMB198.8 million was guaranteed by the Company and secured by certain trade receivables.

As at 31 December 2024, bank borrowings amounting to approximately RMB34.0 million were guaranteed by the Company.

The weighted average effective interest rate of borrowings was 4.43% per annum as at 31 December 2024 (31 December 2023: 4.76% per annum). As at 31 December 2024, bank borrowings of the Group amounting to approximately RMB726.7 million were at fixed interest rates ranging from 3.20% to 5.35% per annum.

Particulars of borrowings of the Group as at 31 December 2024 are set out in Note 28 to the Consolidated Financial Statements in this annual report.

Management Discussion and Analysis

CAPITAL COMMITMENTS

As at 31 December 2024, we had capital expenditures contracted for but not yet incurred of approximately RMB29.2 million as compared to approximately RMB39.9 million as at 31 December 2023. Our capital commitments were mainly related to the expenses incurred for the construction of pipelines in order to expand our existing heat service project and prepare for a new heat service project.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSAL

There were no significant investments, acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

CHARGES ON ASSETS

As at 31 December 2024, intangible assets with a carrying amount of approximately RMB733.3 million (31 December 2023: RMB731.9 million) were pledged as collateral for the bank and other borrowings of the Group. As at 31 December 2024, trade receivables with a carrying amount of approximately RMB127.5 million (31 December 2023: RMB103.4 million) were pledged as collateral for the bank borrowings of the Group.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2024.

TREASURY AND INVESTMENT POLICY

It is our treasury management policy to utilise surplus cash reserves to invest in financial products and generate income without interfering with our business operations or capital expenditures, in order to provide sustainable benefits for the Group. Mr. Luo Wei, one of our executive Directors and a deputy general manager of the Company, and Mr. Yang Xiaojin, the chief financial officer of the Company, both possess the management expertise for the investment in financial products. To control the risks of the Group, we typically invest in low-risk and short-term financial products issued by banks in the PRC.

EMPLOYMENT, REMUNERATION POLICY AND TRAINING

As at 31 December 2024, the Group had 849 employees (31 December 2023: 816). For the Reporting Period, the total employee benefit expenses of the Group were approximately RMB105.2 million. The remuneration package of our employees includes basic salary, performance salary and allowances. We determine employee remuneration based on factors such as qualifications, expertise and years of relevant experience. We have complied with and will continuously comply with, PRC laws and regulations relating to social welfare. In accordance with applicable PRC regulations, the Group currently participates in social insurance contribution plans organised by the relevant local governments under which the Group and the PRC based employees are required to make monthly contributions to the plan calculated as a percentage of the employees' salaries. No forfeited contribution was available and utilised by the Group to reduce its future contributions to the social insurance contribution plan for the Reporting Period. The Group currently provides employees with a pension insurance programme, medical insurance programme, unemployment insurance programme, individual work injury programme, maternity insurance contributions and employee public housing reserve contributions and other welfare benefits.

The Group highly values its employees and places emphasis on the development of its employees. In order to advance the skills and knowledge of its employees as well as to explore new potentials from its workforce, the Group has invested in continuing education and training programmes for its management and ordinary staff members to update their skills and knowledge periodically. Generally, our training focuses on matters relating to our operation, technical knowledge and work safety standards and environmental protection.

Management Discussion and Analysis

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

The Group's activities expose us to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Please refer to Note 3.1 to the audited consolidated financial statement included in this annual report for further details.

PROSPECTS

In 2025, the "Dual Carbon" Goals and the opportunities available in China's energy transition will continue to guide our business development. While ensuring steady growth in the performance of our existing concession projects, especially by ensuring the successful completion and commencement of heat services of steam supply of the Baotou Project and achieving an effective increase in the actual heat service area of the Xinmi Project, we will step up our efforts to capture more market shares and expand our current geographical coverage.

In addition to ensuring the steady growth in the performance of our existing projects and seeking market expansion, the Group will continue to focus on the following two key areas in 2025:

(1) To continuously improve the digitalised heat service platform

To realize the overall goal of "production integration, operation integration and management integration" and achieve digitalisation of its heat services platform, the Group has collected the data relevant to its production and customer service, and has independently developed an intelligent heating platform with the functions of real-time monitoring, remote control, automatic adjustment and data analysis. We expect to complete the development of a platform integration production management, fee collection management, and customer service activities. In addition, the Company has also engaged with two domestic universities for cooperation to carry out the research and development of algorithms for forecasting heating load and enabling intelligent adjustments, among others.

(2) To Enhance Technological Innovation and Practical Application Capabilities of the Heating Technology Center

The Heating Technology Center has always kept pace with the development trend of heating technology, continuously focusing on and implementing the application of unique heating technologies, and striving to enhance energy utilisation efficiency and operational stability of the existing heat service system. Simultaneously, the Heating Technology Center is actively exploring comprehensive energy solutions, and adopting the latest energy-saving technologies and intelligent management methods to optimise system operations, in order to meet future market demands and industry development directions. Moving forward, the Heating Technology Center will further strengthen its technological innovation and practical application capabilities to propel the heat service industry towards a more efficient, low-carbon, and intelligent development path.

EVENTS AFTER THE REPORTING PERIOD

Change of Joint Company Secretary and Process Agent

Reference is made to the Company's announcement dated 17 January 2025.

Mr. Tso Ping Cheong Brian ("**Mr. Tso**") has tendered his resignation as a joint company secretary of the Company and has ceased to act as the process agent for accepting service of process and notices on behalf of the Company in Hong Kong under Rule 19.05(2) of the Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from 17 January 2025. Mr. Tso resigned due to an internal structure change of the Company's service provider, Acclime Corporate Services Limited, and Ms. Chan Charmayne ("**Ms. Chan**") is assigned to be the joint company secretary and process agent of the Company in place of Mr. Tso.

Management Discussion and Analysis

After the aforesaid changes, Mr. Ma Ke (“**Mr. Ma**”) would continue to serve as the other joint company secretary. The Company has applied for, and the Stock Exchange has granted, a new waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules (the “**New Waiver**”) for a period from the effective date of appointment of Ms. Chan to 9 July 2026 (the “**New Waiver Period**”) on the conditions that (i) Mr. Ma will be assisted by Ms. Chan during the New Waiver Period; and (ii) the New Waiver could be revoked if there are material breaches of the Listing Rules by the Company. The Company will disclose details of the New Waiver, including the reasons for and the conditions of the New Waiver, and the qualification and experience of both Mr. Ma and Ms. Chan in an announcement. In addition, the Company shall notify the Stock Exchange at the end of the New Waiver Period for the Stock Exchange to re-visit the situation, as the Stock Exchange expects that after the end of the New Waiver Period, the Company will be able to demonstrate that Mr. Ma can satisfy Rule 3.28 of the Listing Rules after having the benefit of Ms. Chan’s assistance such that a further waiver will not be necessary. Mr. Ma is primarily based in the PRC, while Ms. Chan is primarily based in Hong Kong in relation to the conduct of their job duties as joint company secretaries of the Company.

Connected Transaction – Purchase of Machineries

Reference is made to the Company’s announcement dated 13 February 2025.

On 13 February 2025, the Board approved the entering into of three Sales and Purchase Agreements, pursuant to which the Seller and three Purchasers, all being indirect subsidiaries of the Company, entered into three Sales and Purchase Agreements on the same day, whereby the Seller agreed to sell, and the respective Purchaser agreed to purchase, specified units of energy-saving electromagnetic switch motors at a consideration of RMB3,000,000 per Agreement.

Pursuant to Rule 14.81 of the Listing Rules, a series of connected transactions should be aggregated and treated as if they were one transaction if they were all entered into within a same 12-month period or were otherwise related. The three Sales and Purchase Agreements were entered into on the same day of 13 February 2025 and the consideration was paid under each Agreement was RMB3,000,000. At the time of the making of the three Sales and Purchase Agreements, the highest applicable ratio exceeds 0.1% and is less than 5%, and the total aggregate consideration of RMB9,000,000 exceeds HK\$3,000,000. Therefore, the proposed transaction under the Sales and Purchase Agreements constitutes a de minimis connected transaction according to Rule 14A.76 of the Listing Rules and is only subject to the notification and announcement requirements, but is exempt from the circular (including independent financial advice) and shareholders’ approval requirements.

Appointment of Director

Reference is made to the Company’s announcements dated 13 February 2025 and 6 March 2025 and the Company’s circular dated 18 February 2025.

An ordinary resolution has been passed by the Shareholders at the extraordinary general meeting (“**EGM**”) held on 6 March 2025 for approval of the appointment of Mr. Liu Zhigang (“**Mr. Liu**”) as an executive Director. Mr. Liu’s appointment as executive Director of the Board has commenced from the approval date of his appointment at the EGM and will end at the conclusion of the forthcoming annual general meeting of the Company this year, and may be re-appointed in accordance with the Articles or any other applicable law from time to time.

Management Discussion and Analysis

Amendment to the Articles

Reference is made to the Company's announcements dated 13 February 2025 and 6 March 2025 and the Company's circular dated 18 February 2025.

The Board proposed to make certain amendments to the Articles for the purpose of (i) consolidating and removing scope of business without actual operations in the business objectives and scope clause of the Articles to more succinctly reflect the actual operations of the Company, and certain housekeeping and amendments (ii) to reflect the current share capital structure of the Company, following the conversion of all unlisted domestic shares of the Company into H Shares on 2 September 2024 and completion of the full circulation of H Shares on the Stock Exchange, and (iii) to bring the Articles in line with the revised Company Law of the PRC, which became effective from 1 July 2024 (the "**Proposed Amendments**"). A special resolution has been passed by the Shareholders at the EGM for approval of the Proposed Amendments on 6 March 2025.

Saved as disclosed above, the Board is not aware of any significant events occurred that materially affect the Group's financial condition or operation following the Reporting Period and up to the date of this report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, as at the date of this report, the Company did not have any future plans for material investments or additions of capital assets.

Directors, Supervisors and Senior Management

BOARD OF DIRECTORS

The Board currently consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The following table sets out certain information regarding the members of the Board.

Name	Age	Current position	Date of appointment of initial term of office	Date of joining the Group	Roles and responsibilities	Relationship with other Directors/Supervisors/senior management
Mr. Li Baoshan (李寶山先生)	58	Chairman and executive Director	18 December 2015	3 September 2010	Convening and hosting Board meetings, hosting general meetings of the Company, participating in the decision making process of the Group's daily operation and management	Nil
Mr. Liu Zhigang (劉志剛先生)	44	Executive Director and general manager	6 March 2025	1 August 2015	Overall management oversight of the Group's business	Nil
Mr. Luo Wei (羅偉先生)	51	Executive Director and deputy general manager	23 November 2016	20 September 2015	Participating in daily operation, management and the decision making of the Group	Nil
Mr. Miao Wenbin (繆文彬先生)	46	Non-executive Director	27 April 2020	27 April 2020	Participating in strategic planning and advising on the decision making of the Group	Cousin-in-law of Mr. Ma Fulin (馬福林先生), a non-executive Director, and cousin-in-law of Ms. Xu Lijie (許麗潔女士), a non-executive Director
Mr. Ma Fulin (馬福林先生)	61	Non-executive Director	27 April 2020	10 October 2010	Participating in strategic planning and advising on decision-making of the Group	Brother of Mr. Ma Peilin (馬培林先生), a Supervisor, and cousin-in-law of Mr. Miao Wenbin (繆文彬先生), a non-executive Director
Ms. Xu Lijie (許麗潔女士)	46	Non-executive Director	13 April 2023	13 April 2023	Participating in strategic planning and advising on decision-making of the Group	Cousin-in-law of Mr. Miao Wenbin (繆文彬先生), a non-executive Director

Directors, Supervisors and Senior Management

Name	Age	Current position	Date of appointment of initial term of office	Date of joining the Group	Roles and responsibilities	Relationship with other Directors/Supervisors/senior management
Dr. Tse Hiu Tung, Sheldon (謝曉東博士)	60	Independent non-executive Director	29 May 2023	29 May 2023	Supervising and providing independent opinions and advice to the Board	Nil
Mr. Cheung Ho Kong (張浩剛先生)	45	Independent non-executive Director	29 May 2023	29 May 2023	Supervising and providing independent opinions and advice to the Board	Nil
Dr. Zhu Qing (朱青博士)	67	Independent non-executive Director	29 May 2023	29 May 2023	Supervising and providing independent opinions and advice to the Board	Nil

EXECUTIVE DIRECTORS

Mr. Li Baoshan 李寶山先生 (“Mr. Li”), aged 58, joined the Group in September 2010. He formerly was an executive Director and the general manager of the Company, and is primarily responsible for the overall management oversight of the Group’s business. On 9 December 2024, he was re-designated from the general manager to the chairman of the Board, is primarily responsible for convening and hosting Board meetings, hosting general meetings of the Company, participating in decision making process of the Group’s daily operation and management, and was appointed as the chairman of the nomination committee of the Board.

Mr. Li Baoshan has and had also held several positions in the companies within the Group, including acting as (i) a general manager of Taiyuan City Renewable Energy Heat Supply Company Limited between May 2009 and December 2020; (ii) the chairman of the board of directors of Datong City Renewable Energy Heating Company Limited Since September 2009; (iii) the chairman of the board of directors of Lvliang City Renewable Energy Heat Supply Company Limited between November 2009 and December 2019; (iv) a director and a general manager of Shanxi Shuangliang Renewable Energy since October 2010; (v) a director of Inner Mongolia Wise Living Tianlang Clean Energy Company Limited since June 2018; (vi) a director of Wise Living Tech-Thermal Power (Zhengzhou) Company Limited since December 2020, and was responsible for managing and supervising the operation of these companies; and (vii) the general manager of the Company between December 2015 and December 2024, and was responsible for managing and supervising the operation of these companies.

Mr. Li Baoshan joined Sinopec New Star, an associate of the Company, in September 2014 and is currently its director. Sinopec New Star is principally engaged in the business of development, construction and operation of heating and cooling and power generation projects, and exploration and utilisation of renewable energy, and provision of heat services. Mr. Li Baoshan’s main responsibilities at Sinopec New Star include attending the board meetings, participating in the decision making in relation to business plans and investment plans, as well as formulation of management policy.

Directors, Supervisors and Senior Management

Mr. Li Baoshan has and had served several public offices as set out in the following table:

Period of services	Names of public offices	Positions
Between July 2016 to July 2020	Research Institute of Shanxi Province Renewable Energy* (山西可再生能源研究院) in Shanxi Province, the PRC	Legal representative
Between August 2017 to August 2021	Shanxi Province Renewable Energy Industry Association* (山西省可再生能源協會) in Shanxi Province, the PRC	Legal representative
Not Applicable	12th Meeting of National Representatives All-China Federation of Industry & Commerce* (中國工商業聯合會第十二次全國代表大會) in the PRC held in November 2017	Representative
Between January 2018 and December 2022	12th Committee of The Chinese People's Political Consultative Conference, Shanxi Province, the PRC* (中國人民政治協商會議第十二屆山西省委員會)	Committee member

Mr. Li graduated from the master's program in economics and management (經濟管理) at Shanxi Provincial Committee Party School of C.P.C* (中共山西省委黨校) (currently known as Shanxi Provincial Committee Party School of C.P.C (Shanxi Administrative College)* (中共山西省委黨校(山西行政學院)) in Shanxi Province, the PRC in July 2005. He was accredited as an engineer by the Shanxi Province Forestry Department Intermediate Technical Job Evaluation Committee* (山西省林業廳中級技術職務評審委員會) on 20 July 1997.

Mr. Liu Zhigang (劉志剛先生) ("Mr. Liu"), aged 44, has been appointed as the general manager of the Company with effect from 9 December 2024. He was an employee representative supervisor of the Company from September 2019 to January 2024. He was appointed as a supervisor of the Company for the first time in September 2019, and was primarily responsible for monitoring and supervising the operational and financial activities. He was appointed as executive director of Company by way of the ordinary resolution passed by the shareholders at the EGM held on 6 March 2025 and he is responsible for overall management oversight of the Group's business.

Mr. Liu joined the Group in August 2015 and has held several positions in the companies within the Group, including acting as (i) the deputy general manager of Hulunbuir Shuangliang between August 2015 and September 2018, and the general manager and a director of Hulunbuir Shuangliang since March 2022; and (ii) a director of Inner Mongolia Wise Living since June 2018 and the deputy general manager of Inner Mongolia Wise Living Tianlang Clean Energy Company Limited since September 2018, and has been mainly responsible for the overall management of these companies.

Mr. Liu was a sales representative at Shuangliang Eco-Energy Sales Branch (a branch which is principally engaged in the sales of environmental equipment and devices) between May 2010 and September 2014, where he was responsible for marketing and sales, Mr. Liu later worked as a sales manager between September 2014 and August 2015, where he was responsible for managing and supervising operation and formation of business development plans.

Mr. Liu graduated from Inner Mongolia Agricultural University (內蒙古農業大學) in Inner Mongolia, the PRC, with a major in environmental engineering in July 2004. Mr. Liu holds the Inner Mongolia Autonomous Region Professional Title (內蒙古自治區職稱) of senior engineer.

Directors, Supervisors and Senior Management

Mr. Luo Wei (羅偉) (“Mr. Luo”), aged 51, joined the Company in September 2015 and is currently an executive Director and a deputy general manager of the Company. Mr. Luo Wei is primarily responsible for participating in daily operation, management and decision making of the Group, and taking charge of the daily activities of the office of the Board.

Mr. Luo has also held several positions in the companies within the Group, including acting as (i) a supervisor of Wise Living Energy Technology Company Limited since November 2016; (ii) a supervisor of Gansu Shuangliang Smart Energy Management Company Limited since November 2016; (iii) a supervisor of Lanzhou Shuangliang since December 2016; (iv) a supervisor of Gansu Shuangliang Energy System Investment Company Limited since December 2016; (v) a supervisor of Hulunbuir Shuangliang since December 2016; (vi) a supervisor of Shanxi Shuangliang Renewable Energy since April 2017; (vii) a supervisor of Inner Mongolia Wise Living Tianlang Clean Energy Company Limited since June 2018; (viii) a supervisor of Lanzhou Wise Living Thermal Engineering Company Limited between August 2018 and March 2023; (ix) a director of Wise Living Energy (Baotou) since November 2020; and (x) a director of Wise Living Tech-Thermal Power (Zhengzhou) Company Limited since December 2020, and has been responsible for managing and supervising the operation of these companies.

Mr. Luo has approximately 25 years of working experience in auditing and financial matters and gained experience from various auditing and corporate positions. Mr. Luo Wei commenced his career as an auditor in Nanjing Yongsheng United Accountant’s Firm* (南京永盛聯合會計師事務所) (a firm providing audit services) between September 1994 and May 2001 and worked at the audit department of Shuangliang Group Co. (a connected person of the Company) between May 2001 and January 2004, where he was responsible for dealing with auditing and financial matters in both companies. Subsequently, he served as the chief financial officer at Jiangsu Shuangliang Spandex Co., Ltd. (a subsidiary of Shuangliang Technology which principally engages in the business of production of differentiated chemical fibres and spandex high-tech chemical fibres between January 2004 and December 2013, and was mainly responsible for overseeing overall financial matters. Between January 2014 and September 2015, he worked as a general manager at Wuxi Zhongchuang Technology Microfinance Company Limited* (無錫市中創科技小額貸款有限公司) (formerly known as Wuxi FinTech Small Loans Limited* (無錫市融創科技小額貸款有限公司) and Wuxi Changda Shuangliang Technology Microfinance Company Limited* (無錫市長達雙良科技小額貸款有限公司), a company held as to 40% by Shuangliang Technology and 20% by Jiangsu Lichuang, the controlling shareholders of the Company) which is in the money lending business, and he was mainly responsible for the overall management of business and operation.

Mr. Luo graduated from Nanjing Audit College (南京審計學院) (currently known as Nanjing Audit University (南京審計大學)) in Jiangsu Province, the PRC, with a college degree in finance in July 1994. Mr. Luo was accredited as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) on 26 November 2009.

Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Miao Wenbin (繆文彬) (“**Mr. Miao**”), aged 46, joined the Group in April 2020 and is currently a non-executive Director. Mr. Miao is primarily responsible for participating in strategic planning and advising on decision making of the Group.

Mr. Miao has and had served several companies (including listed companies) as set out in the following table:

Period of services	Names of companies outside the Group	Principal business activities	Last/current position	Main responsibilities
Between January 2004 and December 2006	Shuangliang Eco-Energy Sales Branch	Sale of environmental equipment and devices	Assistant of general manager	Participating in the management of sales business
Since January 2007	Shuangliang Group Co.	Manufacturing and sales of devices, equipment and accessories	Vice president	Managing affairs of investment and public relations
Since January 2009	Shanghai Shuangliang Equity Investment Company Limited* (上海雙良股權投資有限公司) (formerly known as Shanghai Shuangliang Borun Equity Investment Company Limited* (上海雙良博潤股權投資有限公司))	Equity investment and investment management	Chairman of the board and general manager	Convening and hosting the board meetings, hosting general meetings, managing operation and supervision
Since March 2014	Wuxi Zhongchuang Technology Microfinance Company Limited* (無錫市中創科技小額貸款有限公司) (formerly known as Wuxi FinTech Small Loans Limited* (無錫市融創科技小額貸款有限公司) and Wuxi Changda Shuangliang Technology Microfinance Company Limited* (無錫市長達雙良科技小額貸款有限公司))	Money lending business	Director	Attending the board meetings, participating in the decision making of business plans and investment plans as well as formulation of management policy
Between June 2014 and February 2020	Jiangsu Hagong Intelligent Robot Co., Ltd* (江蘇哈工智能機器人股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000584)	Manufacturing high-end intelligent equipment and artificial intelligence robots	Director	Attending the board meetings, participating in the decision making of business plans and investment plans as well as formulation of management policy
Since October 2014	Jiangsu Shuangliang International Trade Company Limited* (江蘇雙良國際貿易有限公司)	Trading of goods	Director	Attending the board meetings, participating in the decision making of business plans and investment plans as well as formulation of management policy

Directors, Supervisors and Senior Management

Period of services	Names of companies outside the Group	Principal business activities	Last/current position	Main responsibilities
Between August 2015 and October 2022	Wuxi Shuangliang Biological Technology Company Limited* (無錫雙良生物科技有限公司)	R&D, technology transfer and technical services of pharmaceuticals, biological reagents, chemical reagents, pharmaceutical intermediates, and APIs	Chairman of the board	Convening and hosting the board meetings, hosting general meetings, participating in the decision making process of the company's daily operation and management
Since March 2016	Wuxi Biotech Company Limited* (無錫佰翺得生物科學有限公司)	R&D, technology transfer and technical services of pharmaceuticals, biological reagents, chemical reagents, pharmaceutical intermediates, and APIs	Chairman of the board	Convening and hosting the board meetings, hosting general meetings, participating in the decision making process of the company's operation and management
Since June 2017	Shuangliang Technology	Investment holding	Chairman of the board	Convening and hosting the board meetings, hosting general meetings, and participating in the decision making of the company's operation and management
Since August 2017	Shuangliang Eco-Energy (stock code: 600481.SH), a company listed on the Shanghai Stock Exchange	Manufacturing and sales of products of (i) energy-saving and water-saving system; and (ii) new energy system (新能源系統)	Chairman of the board	Convening and hosting the board meetings, hosting general meetings, participating in the decision making of the company's daily operation and management
Since January 2018	Zhejiang Shangda Public Environmental Protection Company Limited* (浙江商達公用環保有限公司) (formerly known as Zhejiang Shuangliang Shangda Environmental Protection Company Limited* (浙江雙良商達環保有限公司), Hangzhou Zhanwang Environmental Technology Company Limited* (杭州展望環保科技有限公司), Zhejiang Shangda Environmental Protection Company Limited* (浙江商達環保有限公司), Hangzhou Zhejiang-business Environmental Engineering Company Limited* (杭州浙商大環境工程有限公司))	Manufacturing and sales of environmental protection equipment	Director	Attending the board meetings, participating in the decision making of business plans and investment plans as well as formulation of management policy

Directors, Supervisors and Senior Management

Period of services	Names of companies outside the Group	Principal business activities	Last/current position	Main responsibilities
Since October 2018	Shanghai Shuangliang Jiaxin Investment Management Company Limited* (上海雙良嘉信投資管理有限公司) (formerly known as Shanghai Fantong Investment Management Company Limited* (上海帆通投資管理有限公司))	Investment management	Chairman of the board	Convening and hosting the board meetings, hosting general meetings, participating in the decision making process of the company's operation and management
Between November 2018 and November 2019 and since February 2021	Wuxi Hundun Energy Technology Co., Ltd.	Development, design and construction of intelligent systems and cloud computing	Director	Attending the board meetings, and participating in the decision making in relation to business plans and investment plans as well as formulation of management policy

Further, Mr. Miao holds several public offices:

Period of services	Names of public offices	Last/current position
Since January 2015	Jiangyin Young Entrepreneurs Association* (江陰市青年企業家協會)	Vice chairman
Since December 2017	Jiangyin Young Entrepreneurs Association* (江陰市青年企業家協會)	Executive President
Since May 2015	Jiangsu Young Entrepreneurs Association* (江蘇省青年企業家聯合會)	Vice chairman
Between September 2016 and August 2018	APEC China Business Council (亞太經合組織(APEC)中國工商理事會)	Council member
Since December 2017	Jiangsu Sushang Development Promotion Association* (江蘇省蘇商發展促進會)	Co-chairman
Since April 2019	Jiangsu Youth Association* (江蘇省青年聯合會)	Committee member
Not Applicable	Fifth Meeting of the 13th National People's Congress of Jiangsu Province* (江蘇省第十三屆人民代表大會第五次會議) held in January 2022	Representative
Since December 2022	China Federation of Industry and Commerce* (中華全國工商聯合會)	13th Executive Committee (Terms of 5 years)

Mr. Miao obtained a bachelor's degree in information management from Nanjing University (南京大學) in Jiangsu Province, the PRC, in July 2000. He further achieved a master's degree of business administration (financial management emphasis) from City University of Seattle in Seattle, Washington State, the U.S., in September 2003.

Directors, Supervisors and Senior Management

Mr. Ma Fulin (馬福林) (“Mr. Ma”), aged 61, joined the Group in October 2010 and is currently a non-executive Director. Mr. Ma is primarily responsible for participating in strategic planning and advising on decision-making of the Group.

Mr. Ma had also held several positions in the companies within the Group, including acting as (i) the chairman of the board of directors of Shanxi Shuangliang Renewable Energy between October 2010 and May 2014, (ii) the chairman of the board of directors of Hulunbuir Shuangliang between March 2013 and February 2014, and (iii) a director of Lanzhou Shuangliang between July 2013 and February 2014, and was responsible for managing and supervising the operation of these companies.

Prior to joining the Group, Mr. Ma has accumulated his rich managerial experience through several business and management positions as set out in the following table:

Period of services	Names of companies outside the Group	Principal business activities	Last/current position	Main responsibilities
Since October 1995	Shuangliang Group Co.	Manufacturing and sales of devices, equipment and accessories	Vice president	Managing the sales of various products
Since December 1997	Shuangliang Technology	Investment holding	Director	Attending the board meetings, participating in the decision making in relation to business plans and investment plans, as well as formulation of management policy
Since October 1998	Jiangsu Chengli Investment Consulting Company Limited	Advising on investments	Director	Attending the board meetings, and participating in the decision making of the company's operation and management
Since March 2000	Jiangsu Shuangliang Boiler Company Limited	Manufacturing and sales of boilers	Director	Attending the board meetings, participating in the decision making of business plans and investment plans, as well as formulation of management policy
Since December 2003	Jiangsu Shuangliang Composite Material Company Limited	Manufacturing of plastic alloys (GMT sheet) and its products	Director	Attending the board meetings, participating in the decision making of business plans and investment plans as well as formulation of management policy

Directors, Supervisors and Senior Management

Period of services	Names of companies outside the Group	Principal business activities	Last/current position	Main responsibilities
Between September 2004 and April 2020, and since May 2020	Jiangsu Lichuang	Investment Holding	<ul style="list-style-type: none"> – Chairman of the board (between September 2004 and April 2020) – Director (since May 2020) 	<ul style="list-style-type: none"> – Convening and hosting the board meetings, hosting general meetings, and participating in the decision making process of the company's daily operation and management – Attending the board meetings, participating in the decision making of business plans and investment plans, as well as formulation of management policy
Since June 2005	Jiangyin Shuangliang Machinery Company Limited	Research, development and production of cleaning machines and their accessories	Director	Attending the board meetings, participating in the decision making of business plans and investment plans as well as formulation of management policy
Since August 2011	Beijing Supower Technology Co. Ltd	Project contracting	Director	Attending the board meetings, participating in the decision making of business plans and investment plans as well as formulation of management policy
Since August 2017	Jiangyin Shuangliang Graphene Photocatalysis Technology Company Limited	Air pollution prevention and control services	Director	Attending the board meetings, and participating in the decision making in relation to business plans and investment plans as well as formulation of management policy

Mr. Ma obtained a bachelor's degree in chemical-engineering from the Inner Mongolia College of Technology* (內蒙古工學院) (currently known as the Inner Mongolia University of Technology (內蒙古工業大學)) in Inner Mongolia, the PRC, in July 1986. He further achieved an executive master's degree of business administration (Executive MBA Programme) from China Europe International Business School (中歐國際工商學院) in Shanghai, the PRC, in March 2002.

Ms. Xu Lijie (許麗潔) ("Ms. Xu"), aged 47, joined the Group in April 2023 and is currently a non-executive Director. Ms. Xu is primarily responsible for participating in strategic planning and advising on decision-making of the Group.

Directors, Supervisors and Senior Management

Prior to joining the Group, Ms. Xu has and had served several companies as set out in the following table:

Period of services	Names of companies outside the Group	Principal business activities	Last/current position	Main responsibilities
Between October 1999 and September 2007	Shuangliang Eco-Energy Sales Branch	Sale of environmental equipment and devices	Staff	Participating in project bidding, developing sales market, and coordinating sales resources of all branches
Between October 2007 and September 2019	Jiangsu Shuangliang Spandex Co., Ltd.	Production of differentiated chemical fibres and spandex high-tech chemical fibres	Head of management* (管理部長) and deputy general manager	Managing daily operation, participating in the discussion and decision making of development plans, operation strategies, work plans as well as major issues in daily operation, participating in external coordination on any communication or dealing with government authorities, and reviewing important reports, documents and materials submitted and printed externally
Between September 2019 and February 2020	Shuangliang Group Co.	Manufacturing and sales of devices, equipment and accessories	Deputy director of president office* (總裁辦副主任)	Standardising the daily implementation of various management systems, managing the administrative aspect of the company, handling and formulating main targets, plans, policies and systems, participating in the company's major decision making, arranging regular meetings of the company, and organising and handling events and matters relating to external affairs
Since February 2020	Jiangsu Shuangliang Cooling System Co., Ltd.	Air cooling systems	Executive director and general manager	Being responsible for the company's development, production and operation management, setup and adjustment of organisations, salary adjustments, establishment and improvement of important rules and regulations, and management of other major issues
Since November 2021	Jiangyin Shuangliang Bihong Steel Structure Engineering Technology Co., Ltd	Provision of design, construction, maintenance and consultancy services relating to steel structure works and other construction works	Director and general manager	Being responsible for the overall management of the company's daily operation and business

Directors, Supervisors and Senior Management

Ms. Xu graduated from Jiangsu Luoshe Normal School* (江蘇省洛社師範學校) in Jiangsu Province, the PRC, with a college degree in ordinary teachers* (普師專業) in July 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Tse Hiu Tung, Sheldon, MH (also known as Xie Xiaodong) (謝曉東) (“Dr. Tse”), aged 60, was appointed as the independent non-executive Director of the Company on 29 May 2023. He is responsible for supervising and providing independent opinions and advice to the Board.

Since 1998, Dr. Tse has been a practicing solicitor in Hong Kong and is currently a partner at a law firm in Hong Kong, and has over 20 years of experience in corporate finance, mergers and acquisitions, private equity, joint ventures and compliance matters. Outside the Group, Dr. Tse has held positions in the following company the shares of which are listed on the Stock Exchange in the past three years:

Period of services	Names of listed companies	Last/current position	Main responsibilities
Since September 2020	China Aircraft Leasing Group Holdings Limited, a company listed on the Stock Exchange (stock code: 1848)	Independent non-executive director	Overseeing the management of the group independently

Dr. Tse is qualified to practise law in Hong Kong (admitted in July 1998), England and Wales (admitted in November 1998) and the PRC (admitted in September 1995). Dr. Tse is currently a China-appointed Attesting Officer (中國委託公證人) and a fellow member of the Hong Kong Securities and Investment Institute. He has also been a member of the 12th and 13th China Political Consultative Committee of Guizhou Province since January 2018. Dr. Tse was granted a Medal of Honour by the Government of the Government of the Hong Kong Special Administrative Region in 2024 in recognition of his contributions in charitable work and community services.

Dr. Tse obtained a bachelor's degree in law from Zhongshan University in Guangzhou, the PRC in July 1986. Further, Dr. Tse obtained a degree of master of laws and a degree of doctor of philosophy from the University of London, the United Kingdom in November 1989 and January 1994, respectively.

Mr. Cheung Ho Kong (張浩剛) (“Mr. Cheung”), aged 45, was appointed as an independent non-executive Director on 29 May 2023. He is responsible for supervising and providing independent opinions and advice to the Board.

Directors, Supervisors and Senior Management

Mr. Cheung is a managing director of China Goldlink Capital Group Limited since November 2021, which is primarily engaged in the business of financial service. Mr. Cheung has accumulated more than 20 years of experience in accounting and finance in the following companies, where he was mainly involved in audit and corporate finance matters.

Period of services	Names of companies	Principal business activities	Last position
Between September 2001 and December 2004	KPMG	Audit, tax and advisory services	Assistant manager
Between January 2005 and May 2007	Hong Kong Exchanges and Clearing Limited (stock code: 388), a company listed on the Stock Exchange	Stock exchange operation	Assistant manager
Between June 2007 and May 2010	GuocoCapital Limited (currently known as Mason Securities Limited)	Financial service	Senior manager
Between June 2010 and April 2013	Guotai Junan (Hong Kong) Limited	Financial service	Associate director
Between April 2013 and January 2014	Taiping Capital Limited	Financial service	Executive director
Between April 2014 and November 2021	Messis Capital Limited	Financial service	Managing director

Mr. Cheung has been a certified public accountant of The Hong Kong Institute of Certified Public Accountants since January 2005. Further, he has been a responsible officer licensed and registered with the SFC to conduct type 1 (dealing in securities) regulated activities since April 2016 and type 6 (advising on corporate finance) regulated activities since August 2012.

Mr. Cheung obtained a bachelor's degree in accounting and finance from the University of Hong Kong in Hong Kong in November 2001 and a master's degree in business administration through a distant learning program from Royal Holloway and Bedford New College of University of London in the U.K. in December 2018.

Dr. Zhu Qing (朱青) (“Dr. Zhu”), aged 67, was appointed as an independent non-executive Director on 29 May 2023. He is responsible for supervising and providing independent opinions and advice to the Board.

Dr. Zhu has been working in the School of Finance (財政金融學院) of Renmin University of China (中國人民大學) in Beijing, the PRC since June 1987 with current position as a professor, and has been responsible for teaching and research work in the fields of public finance and tax. Dr. Zhu has also served as an independent director of Zhongtai Trust Company Limited (中泰信託有限責任公司) (formerly known as Agricultural Bank of China Xiamen Trust and Investment Company* (中國農業銀行廈門信託投資公司)) since July 2014, responsible for overseeing the management of the group independently. Dr. Zhu served as an independent director of China Great Wall Asset Management Co. Ltd* (中國長城資產管理股份有限公司) since 12 August 2022, responsible for overseeing the management of the group independently.

Directors, Supervisors and Senior Management

Further, he has and had held the positions in several listed companies as set out in the following table:

Period of services	Names of listed companies	Last/current positions	Main responsibilities
Between June 2014 and February 2017	Jiangsu Hagong Intelligent Robot Co., Ltd* (江蘇哈工智能機器人股份有限公司) (formerly known as Jiangsu Youli Investment Holding Company Limited* (江蘇友利投資控股股份有限公司)) (stock code: 000584), a company listed on the Shenzhen Stock Exchange	Independent director	Overseeing the management of the group independently
Between April 2013 and April 2018, and since March 2022	Jangho Group Company Limited* (江河創建集團股份有限公司) (stock code: 601886), a company listed on the Shanghai Stock Exchange	Independent director	Overseeing the management of the group independently
Between August 2014 and June 2021	Industrial Bank Company Limited (興業銀行股份有限公司) (stock code: 601166), a company listed on the Shanghai Stock Exchange	Independent director	Overseeing the management of the group independently
Since June 2021	Industrial Bank Company Limited (興業銀行股份有限公司) (stock code: 601166), a company listed on the Shanghai Stock Exchange	Supervisor	Monitoring and supervising the operational and financial activities of the company
Between January 2017 and October 2020	Zhejiang Jinlihua Electric Company Limited* (浙江金利華電氣股份有限公司) (stock code: 300069), a company listed on the Shenzhen Stock Exchange	Independent director	Overseeing the management of the group independently
Between June 2017 to 28 June 2023	Jiangsu Jianguyin Rural Commercial Bank Company Limited* (江蘇江陰農村商業銀行股份有限公司) (stock code: 002807), a company listed on the Shenzhen Stock Exchange	Independent director	Overseeing the management of the group independently
Since 27 June 2023	Dongxing Securities Corporation Limited 東興證券股份有限公司 (stock code: 601198), a company listed on the Shanghai Stock Exchange	Independent director	Overseeing the management of the group independently

Directors, Supervisors and Senior Management

Dr. Zhu obtained a bachelor's degree in economics majoring in public finance from the Beijing Economics Institute (北京經濟學院) (currently known as Capital University of Economics and Business (首都經濟貿易大學)) in Beijing, the PRC in July 1984. Further, Dr. Zhu obtained a master's degree in economics from Renmin University of China (中國人民大學) in Beijing, the PRC in July 1987 and a doctorate degree in economics from Renmin University of China (中國人民大學) in June 2001.

Dr. Zhu was accredited as an independent director by Shanghai Stock Exchange (上海證券交易所) in April 2013.

SUPERVISORY COMMITTEE

The supervisory committee of the Company (the “**Supervisory Committee**”) consists of three members, one of whom is an employee representative supervisor. The Supervisors are appointed for a term of three years and eligible for re-election upon expiry of their term of office.

The following table sets out certain information regarding the members of the Supervisory Committee as at the date of publication of this annual report:

Name	Age	Current position	Date of appointment of initial term of office	Date of joining the Group	Roles and responsibilities	Relationship with other Directors/supervisors/senior management
Mr. Ma Peilin	58	Chairman of the Supervisory Committee	November 2015	January 2013	Directing the activities of the Supervisory Committee, monitoring and supervising the operational and financial activities	Brother of Mr. Ma Fulin, a non-executive Director of the Company
Mr. Chen Zhen	43	Supervisor	April 2020	April 2020	Monitoring and supervising the operational and financial activities	Nil
Mr. Wang Shuai (appointed on 22 January 2024)	32	Employee representative supervisor	January 2024	April 2018	Monitoring and supervising the operational and financial activities	Nil
Mr. Liu Zhigang (resigned on 22 January 2024)	44	Employee representative supervisor	September 2019	August 2015	Monitoring and supervising the operational and financial activities	Nil

Please refer to the paragraphs headed “Executive Directors” in this section for the biographical details of Mr. Liu Zhigang.

Mr. Ma Peilin (馬培林先生) (“Mr. Ma”), aged 58, is the chairman of the Supervisory Committee. He was appointed as the supervisor of the Company on 17 November 2015, and is primarily responsible for directing the activities of the Supervisory Committee, and monitoring and supervising the operational and financial activities.

Mr. Ma joined the Group as a supervisor at Gansu Shuangliang Energy System Investment Company Limited between January 2013 and April 2014 and was responsible for monitoring and supervising operational and financial activities. Since December 2015, he has been the chairman of the Supervisory Committee, and has been responsible for directing the activities of the Supervisory Committee, monitoring and supervising the operational and financial activities.

Directors, Supervisors and Senior Management

Outside of the Group, Mr. Ma had gained his work experience in several companies as set out in the following table:

Period of services	Names of public offices outside the Group	Principal business activities	Last/current position	Main responsibilities
Between January 1993 and October 1995, between March 2000 and December 2006, and since January 2017	Shuangliang Group Co.	Manufacturing and sales of devices, equipment and accessories	President	Managing and supervising daily operation and business
Between October 1995 and March 2000, and since August 2015	Shuangliang Eco-Energy, a company listed on the Shanghai Stock Exchange (stock code: 600481.SH)	Manufacturing and sales of products of (i) energy-saving and water-saving system; and (ii) new energy system (新能源系統)	Supervisor	Monitoring and supervising operational and financial activities
Between September 2004 and April 2020, and since May 2020	Jiangsu Lichuang	Investment Holding	<ul style="list-style-type: none"> — Director (between September 2004 and April 2020) — Chairman of the board (since May 2020) 	<ul style="list-style-type: none"> — Attending the board meetings, participating in the decision making of business plans and investment plans, as well as formulation of management policy — Convening and hosting the board meetings, hosting general meetings, and participating in the decision making process of the company's daily operation and management
Between November 2005 and June 2017	Shuangliang Technology	Investment holding	Chairman of the board	Convening and hosting the board meetings, hosting general meetings, participating in the decision making process of the company's daily operation and management
Since October 2012	Beijing Zhongchuang Financial Leasing Company Limited	Financial leasing	Chairman of the board	Convening and hosting the board meetings, hosting general meetings, participating in the decision making process of the company's daily operation and management

Directors, Supervisors and Senior Management

Period of services	Names of public offices outside the Group	Principal business activities	Last/current position	Main responsibilities
Since November 2013	Jiangsu Lishide Chemical Company Limited* (江蘇利士德化工有限公司) (formerly known as Jiangsu Lishide Storage Company Limited* (江蘇利士德倉儲有限公司))	Manufacturing chemicals	Director	Attending the board meetings, participating in the decision making of business plans and investment plans as well as formulation of management policy
Since March 2014	Wuxi Zhongchuang Technology Microfinance Company Limited* (無錫市中創科技小額貸款有限公司) (formerly known as Wuxi FinTech Small Loans Limited* (無錫市融創科技小額貸款有限公司) and Wuxi Changda Shuangliang Technology Microfinance Company Limited* (無錫市長達雙良科技小額貸款有限公司))	Money lending business	Chairman of the board	Convening and hosting the board meetings, hosting general meetings, participating in the decision making process of the company's daily operation and management
Between January 2015 and February 2017	Jiangsu Hagong Intelligent Robot Co., Ltd* (江蘇哈工智能機器人股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000584)	Manufacturing high-end intelligent equipment manufacturing and artificial intelligence robots	Chairman of the board	Convening and hosting the board meetings, hosting general meetings, participating in the decision making process of daily operation and management

Mr. Ma obtained a bachelor's degree in economics from Inner Mongolia University of Finance and Economics (內蒙古財經學院) in Inner Mongolia, the PRC, in July 1990 and an executive master's degree of business administration (Executive MBA Programme) from China Europe International Business School (中歐國際工商學院) in Shanghai, the PRC, in July 2006. Mr. Ma was awarded as the Accountant of the Year 2010* (2010年中國總會計師年度人物) by China Association of Chief Financial Officers (中國總會計師協會) on 19 December 2010.

Directors, Supervisors and Senior Management

Mr. Chen Zhen (陳振先生) (“Mr. Chen”), aged 43, was appointed as a supervisor of the Company for the first time on 27 April 2020, and he is primarily responsible for monitoring and supervising the operational and financial activities.

Between October 2009 and May 2012, Mr. Chen gained his corporate and audit experience by working at Talent Certified Public Accountants (天衡會計師事務所), a firm providing audit services in Jiangsu Province, the PRC and as a treasurer at Shuangliang Eco-Energy (a company which is principally engaged in the manufacturing and sales of products of (i) energy-saving and water-saving systems and (ii) new energy systems (新能源系統)) between June 2012 and December 2012. Between January 2013 and September 2019, Mr. Chen was promoted as the chief financial officer of Shuangliang New Energy Equipment Company Limited, and was responsible for overall management of auditing and financial matters. Since September 2019, Mr. Chen has been the general manager of the auditing department of Shuangliang Group Co. (a company which is principally engaged in the manufacturing of equipment, devices and accessories) and has been mainly responsible for internal control and overall management of audit affairs. Since September 2022, Mr. Chen Zhen has been a supervisor of Shuangliang Eco-Energy.

Mr. Chen obtained a bachelor’s degree of art majoring in journalism from Nanchang University (南昌大學) in Jiangxi Province, the PRC in July 2004. Mr. Chen obtained a master’s degree of business administration from Southeast University (東南大學) in Jiangsu Province, the PRC, in March 2012.

Mr. Wang Shuai (王帥先生) (“Mr. Wang”), aged 32, has been serving as the chief financial officer of Lanzhou Shuangliang since January 2021. Mr. Wang joined the Group in April 2018 and served as an accountant of the financial department of the Company from April 2018 to September 2018 and the financial manager of Lanzhou Shuangliang from September 2018 to December 2020. Prior to joining the Group, Mr. Wang worked as an auditor at RSM China CPA LLP (容誠會計師事務所 (特殊普通合夥)) from April 2017 to April 2018.

Mr. Wang graduated from Changzhou University (常州大學) with a bachelor’s degree in Petroleum Engineering in June 2013. In June 2016, Mr. Wang obtained the master’s degree of Oil and Gas Field Development Engineering from Southwest Petroleum University (西南石油大學). Mr. Wang obtained the qualification of intermediate accountant in 2017 and the qualification of certified public accountant in 2019.

Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

The following table sets out certain information regarding the members of the senior management.

Name	Age	Current position	Date of appointment of initial term of office	Date of joining the Group	Roles and responsibilities	Relationship with other Directors/supervisors/ members of the senior management
Mr. Li Baoshan (李寶山先生)	58	Executive Director and general manager	December 2015 (resigned on 9 December 2024)	May 2009	Convening and hosting Board meetings, hosting general meetings of the Company, participating in the decision making process of the Group's daily operation and management	Nil
Mr. Liu Zhigang (劉志剛先生)	44	Executive Director (appointed on 6 March 2025) and general manager	December 2024	August 2015	Overall management oversight of the Group business	Nil
Mr. Luo Wei (羅偉先生)	51	Executive Director and deputy general manager	September 2015	September 2015	Participating in the daily operation, management and decision making of the Group	Nil
Mr. Hu Xirong (胡錫榮先生)	53	Deputy general manager	January 2018	October 2010	Participating in the daily operation of the Group with a focus on its marketing, public relation and business development	Nil
Mr. Yang Xiaojin (楊小進先生)	37	Chief financial officer	October 2019	May 2017	Overall financial management of the Group	Nil
Mr. Chen Xibao (陳喜報先生)	50	Deputy general manager	December 2015	October 2010	Heating technology, CCHP (a balanced energy mix) and quality control with a focus on project expansion and development in Zhengzhou, Henan Province, the PRC	Nil

Please refer to the paragraphs headed "Executive Directors" in this section for the biographical details of Mr. Li Baoshan, Mr. Luo Wei and Mr. Liu Zhigang.

Mr. Hu Xirong (胡錫榮先生) ("Mr. Hu"), aged 53, is one of the deputy general managers of the Company. Mr. Hu is primarily responsible for participating in the daily operation of the Group with a focus on its marketing, public relation and business development.

Directors, Supervisors and Senior Management

Mr. Hu has and had also held several positions in the companies within the Group, including acting as (i) a director of Shanxi Shuangliang Renewable Energy since October 2010; (ii) a supervisor of Shuozhou Renewable Energy Thermal Company Limited since May 2011, and (iii) a director of Wise Living Tech-Thermal (Zhengzhou) Company Limited since December 2020.

Mr. Hu served as an executive Director between October 2021 and March 2023. He resigned as an executive Director effective from 28 March 2023 due to re-allocation of directorate posts. Mr. Hu has confirmed that he does not have any disagreement with the Board, and there is no other matter relating to his resignation that needs to be brought to the attention of the Shareholders or the Stock Exchange.

Prior to joining the Group, Mr. Hu was a branch manager and a sales representative at Shanxi Office (山西辦事處) of Shuangliang Eco-Energy Sales Branch between April 1998 and October 2010, and was responsible for the product sales and marketing in the Shanxi market.

Mr. Hu graduated with a bachelor's degree in accounting from Shanxi College of Finance and Economics* (山西財經學院) (currently known as Shanxi University of Finance and Economics (山西財經大學)) in Shanxi Province, the PRC, in July 1993. Further, Mr. Hu obtained a master's degree of business administration from Shanxi University of Finance and Economics (山西財經大學) in December 2008. Mr. Hu was accredited as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) on 20 December 2002.

Mr. Yang Xiaojin (楊小進先生) ("Mr. Yang"), aged 36, joined the Group in May 2017 and is currently the chief financial officer of the Company. He is primarily responsible for the overall financial management of the Group. Within the Group, Mr. Yang has also been serving as the chief financial officer of Shanxi Shuangliang Renewable Energy since May 2017, and has been responsible for managing and supervising financial and auditing affairs.

Prior to joining the Group, Mr. Yang worked as an audit specialist dealing with internal audit matters in Shuangliang Group Co. (a company which is principally engaged in the manufacturing of equipment, devices and accessories) between April 2014 and May 2015. He then worked at Shuangliang Eco-Energy (a company which is principally engaged in the manufacturing and sales of products of (i) energy-saving and water-saving systems and (ii) new energy systems (新能源系統)) as a finance manager between June 2016 and April 2017 and was responsible for managing and processing financials of its group and subsidiaries.

Mr. Yang obtained a bachelor's degree majoring in business administration from Tiangong University (天津工業大學) in Tianjin Municipality, the PRC, in June 2011. Mr. Yang Xiaojin further obtained a master's degree of management majoring in accounting from the same university in March 2014.

Mr. Chen Xibao (陳喜報先生) ("Mr. Chen"), aged 50, joined the Group in December 2009 and is currently one of the deputy general managers of the Company. He is primarily responsible for heating technology, CCHP (a balanced energy mix) and quality control with a focus on project expansion and development in Zhengzhou, Henan Province, the PRC.

In addition to his role as a deputy general manager of the Company, Mr. Chen has and had held several other positions within the Group including acting as (i) a vice president of Shanxi Shuangliang Renewable Energy between December 2009 and October 2015; (ii) a supervisor of Southern Taiyuan Heat Supply Co., Ltd between April 2013 and March 2020; (iii) an executive director and a general manager of Zhengzhou Wise Living Thermal Power Company Limited since November 2018; and (iv) a supervisor of Wise Living Tech-Thermal Power (Zhengzhou) Company Limited since December 2020, and has been responsible for managing and supervising the operation of these companies.

Directors, Supervisors and Senior Management

Mr. Chen gained his managerial experience through various positions before joining the Group, the details of which are set out in the following table:

Period of services	Names of public offices	Principal business activities	Positions	Main responsibilities
Between March 2001 and November 2006 and between December 2007 and November 2009	Architecture Eco-energy Research Institute of Zhengzhou University Multi-Functional Design and Research Academy* (鄭州大學綜合設計研究院建築節能研究所)	Research and development	Chief engineer and deputy dean	Supervising projects of research and development
Between December 2006 and December 2007	Linzhou Second Construction Group Construction Company Limited* (林州二建集團建設有限公司)	Construction	New and renewable energy development and utilisation engineer	Planning, design, construction, commissioning and maintenance of new and renewable energy projects

Further, Mr. Chen has been a vice chairman (副理事長) of Shanxi Renewable Energy Association* (山西可再生能源協會) and a vice dean of Shanxi Renewable Energy Academy* (山西可再生能源研究院) since December 2010.

Mr. Chen graduated with a college degree majoring in fine chemical engineering from Zhengzhou College of Technology* (鄭州工學院) (currently known as Zhengzhou University (鄭州大學)) in Henan Province, the PRC in June 1995. Mr. Chen further obtained a bachelor's degree of engineering majoring in computer science and technology through correspondence education from the PLA Information Engineering University (中國解放軍信息工程大學) (currently known as the PLA Strategic Support Force Information Engineering University (中國解放軍戰略支援部隊信息工程大學)) in Henan Province, the PRC, in June 2010. He was accredited as an urban construction engineer* (城建工程師) by Anyang People's Government (安陽市人民政府) in Henan Province, the PRC, in September 2007.

JOINT COMPANY SECRETARIES

Mr. Ma Ke (馬克先生) ("Mr. Ma"), aged 33, is the joint company secretary of the Company effective from the 29 May 2023. Within the Group, Mr. Ma has been a supervisor of Wise Living Energy (Baotou) since November 2020, a supervisor of Wise Living Tech-Thermal (Zhengzhou) Company Limited since December 2020 and a supervisor of Wise Living Times (Beijing) Technology Company Limited* (慧居時代(北京)技術有限公司) since August 2022, and has been responsible for monitoring and supervising operational and financial activities. He was appointed as a Board secretary of the Company on 13 February 2025. Mr. Ma is primarily responsible for taking charge of the daily activities of the office of the Board.

Prior to joining the Group, Mr. Ma commenced his career in July 2017 as an assistant auditor at Talent Certified Public Accountants (天衡會計師事務所) Beijing office, a firm providing audit service until May 2018. From August 2018 to December 2019, he worked at Bank of China Insurance Company Limited (中銀保險有限公司) in Beijing, the PRC.

Mr. Ma obtained a bachelor's degree majoring in accounting from University of San Francisco in California, the U.S. in May 2016, and further obtained a master's degree of finance from Tulane University in New Orleans, Louisiana, the U.S. in May 2017.

Directors, Supervisors and Senior Management

Mr. Tso Ping Cheong, Brian (曹炳昌先生) (“Mr. Tso”), aged 44, is the joint company secretary of the Company effective from the 29 May 2023.

Mr. Tso has over 17 years of experience in accounting and financial management. From September 2003 to December 2008, Mr. Tso worked for Ernst & Young and last held the position of manager and was responsible for the assurance and advisory business services. From December 2008 to May 2010, he worked for Greenheart Group Limited (stock code: 94), a company listed on the Main Board of the Stock Exchange as financial controller. From May 2010 to August 2012, he worked for Maxdo Project Management Company Limited as senior vice president of the investment team. From October 2020 to February 2025, Mr. Tso has been a company secretary of Bright Future Technology Holdings Limited (stock code: 1351), a company listed on the Main Board of the Stock Exchange. Mr. Tso founded Teton CPA Company, an accounting firm, in January 2013 and he has been the sole proprietor since then.

Mr. Tso obtained his bachelor’s degree in accountancy from the Hong Kong Polytechnic University in Hong Kong in November 2003. He obtained his master’s degree in corporate governance from the Hong Kong Polytechnic University in Hong Kong in October 2013. Mr. Tso is currently a practising and fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and The Hong Kong Chartered Governance Institute (the “**HKCGI**”, formerly known as “**The Hong Kong Institute of Chartered Secretaries**”).

After the Reporting Period, Mr. Tso resigned as the joint company secretary on 17 January 2025.

Ms. Chan Charmayne (陳焯嫻女士) (“Ms. Chan”), was appointed as the joint company secretary of the Company on 17 January 2025.

Ms. Chan has worked for Acclime Corporate Services Limited, a corporate services provider, since September 2018 and was appointed as its director in July 2019. She has over 17 years of experience in company secretarial field. She had served in a law firm and listed companies and had extensive experience in performing full range of company secretarial duties of listed companies (Main and GEM boards of the Stock Exchange) and private companies of major jurisdictions. She is currently the Company Secretary of PuraPharm Corporation Limited (stock code: 1498), Finland Living Services Group Limited (stock code: 9978), Bright Future Technology Holdings Limited (stock code: 1351), China MeiDong Auto Holdings Limited (stock code: 1268), Ascentage Pharma Group International (stock code: 6855) and Xinyuan Property Management Service (Cayman) Ltd. (stock code: 1895) and a joint company secretary of Redsun Services Group Limited (stock code: 1971), Redsun Properties Group Limited (stock code: 1996) and Wise Living Technology Co., Ltd (stock code: 2481).

Ms. Chan has been a Chartered Governance Professional awarded by The Chartered Governance Institute (the “**CGI**”) and HKCGI since March 2019 and an associate member of the HKCGI since January 2014 and an elected associate of the CGI since January 2014. She obtained a master’s degree in corporate governance from the Hong Kong Polytechnic University in Hong Kong in October 2013 and a bachelor’s degree in business administration and management from the University of Huddersfield in the United Kingdom through distance education in November 2007. Ms. Chan meets the qualification requirements for company secretary under Rule 3.28 of the Listing Rules.

* denotes the English translation of the Chinese name for identification purpose only

Report of the Directors

The Board is pleased to present their report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the provision of heat services to residential and non-residential heat service customers under concession rights. In addition to the provision of heat services, which is considered as a public utility business, the Group also provides heat-related (i) engineering construction services; and (ii) EMC services and has had over a decade of operational experience since it started the operation in 2010. Details of the principal activities of the Company's subsidiaries are set out in Note 42 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group, the outlook of future development of the business of the Group as well as a discussion and analysis of the Group's performance during the Reporting Period and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the section headed "Management Discussion and Analysis" of this annual report. The financial risk management of the Group are set out in Note 3 to the consolidated financial statements of this annual report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of comprehensive income and the consolidated statement of financial position on pages 87 to 88 of this annual report.

FINAL DIVIDEND AND WITHHOLDING OF INCOME TAX

The Board has resolved to recommend the payment of a final dividend of RMB0.164 per share (tax inclusive) for the year ended 31 December 2024 (2023: RMB0.15 per share (tax inclusive)) to all Shareholders whose names appear on the register of members of the Company on Wednesday, 28 May 2025 (subject to the consideration and approval of the same via ordinary resolution by Shareholders at the forthcoming AGM to be held on Friday, 16 May 2025), with a total amount being approximately RMB49,462,400. Subject to approval by the AGM, the final dividend is expected to be paid on or before Friday, 27 June 2025.

Such proposed dividends will be denominated in RMB. Dividends for H Shares will be paid in Hong Kong dollars. The relevant exchange rate for conversion shall be calculated by the average central parity rate of the relevant foreign exchange posted by China Foreign Exchange Trading Centre for one calendar week immediately preceding the date of declaration of such dividend at the AGM.

Report of the Directors

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) which came into effect on 1 January 2008, and was amended on 24 February 2017, 29 December 2018 and 6 December 2024, the Provision for Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which took effect on 1 January 2008 and was amended on 23 April 2019, and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), which was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, where a Chinese resident enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from 1 January 2008 to H-share holders which are overseas non-resident enterprises (such term shall have the meaning as defined under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)), it is required to withhold 10% enterprise income tax for such overseas non-resident enterprise H-share holders. Therefore, for a non-resident enterprise Shareholder of the H Shares (i.e., any Shareholder holding the H Shares in the name of a non-individual Shareholder, including but not limited to any holders of H Shares registered in the name of HKSCC Nominees Limited, or any other nominee or trustee, or any other organisation or group), the Company shall withhold the enterprise income tax for the final dividend at the tax rate of 10% on its behalf. After receiving dividends, the non-resident enterprise Shareholder may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such taxation treaties (arrangement). After the tax authorities have verified that there is no error, it shall refund tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant taxation treaties (arrangement).

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (《關於國稅發(1993) 045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Taxation on 28 June 2011, dividends to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual Shareholders of H Shares whose names appear on the H Share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (《關於國稅發(1993) 045號文件廢止後有關個人所得稅徵管問題的通知》).

The Company assumes no responsibilities whatsoever in respect of and will not entertain for any claim arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholdings.

Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H Shares of the Company in the PRC and in Hong Kong and other tax effects involved.

Report of the Directors

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 13 May 2025 to Friday, 16 May 2025, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 12 May 2025.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2024 (subject to approval by the shareholders of the Company at the AGM), the register of members of the Company will be closed from Friday, 23 May 2025 to Wednesday, 28 May 2025, both days inclusive, during which period no transfer of H Shares will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 22 May 2025.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strictly complies with the national and local environmental laws and regulations and operates in a manner of protecting the environment, so as to reduce the negative impact on the environment caused by the Group's business activities and to achieve green heating. To the best knowledge of the Directors, the Group has complied with all applicable laws and regulations regarding environmental protection for the Reporting Period. Detailed information on the environmental, social and governance performance of the Company is set out in the "Environmental, Social and Governance Report" published separately by the Company on or around 25 April 2025.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing by the Group, some of which are inherent in the market and some are due to external environment. Major risks and uncertainties related to the business and industry of the Group are summarised as follows:

- (1) The Group's business operation is concentrated in the "Three North Region", and the Group is susceptible to any adverse development in economic conditions, government policies or business environment in this region.
- (2) The Group's concession rights for its heat service business will expire or may be terminated before expiration.
- (3) The Group may not be entitled to any form of government grants or subsidies in the future under the applicable PRC laws and regulations that are evolving from time to time.
- (4) The Group may encounter difficulties in expanding its heat service business if the Group fails to obtain new concession rights or grow its actual heat service area under the current concession rights.
- (5) The actual heat service area of the Group may be adjusted due to unanticipated events.
- (6) The Group may not be able to successfully manage all of the risks associated with its cross-provincial operation which spans a number of different geographical locations in the PRC.
- (7) There are title defects associated with the heat exchange stations currently used by the Group and certain properties the Group leases. Any dispute, order or requirement which may affect the Group's right to use these properties may materially and adversely affect the Group's business operation.

Report of the Directors

- (8) Any shortage of, disruption or suspension to the Group's heat sources could materially and adversely affect the Group's heat service business.
- (9) The Group's heat rates may not be adjusted proportionally and/or the Group may not receive sufficient subsidy for the Group's heat service operations to sufficiently cover the potential reduction in pipeline connection fee due to any change in its mechanism.
- (10) The amount of intangible assets on the consolidated statements of financial position of the Group increased correspondingly as the Group recorded revenue from engineering construction services under IFRIC 12 and such amount represented a significant portion of the assets on the consolidated statements of financial position of the Group and if the Group's intangible assets are impaired, the Group's results of operations and financial position may be adversely affected.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that employees, customers and suppliers are key to its sustainable development. The Group strives to achieve sustainable business growth through attaching great importance to its human resources management, providing quality heat services to its customers and enhancing cooperation with its suppliers.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

Save as disclosed above, as far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the Reporting Period, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, the total revenue attributable to the Group's five largest customers was approximately 27.5%, and the revenue attributable to the Group's largest customer from the sales was approximately 15.0%.

For the year ended 31 December 2024, the total purchases attributable to the Group's five largest suppliers was approximately 32.3%, and the purchase attributable to the Group's largest supplier was approximately 8.0%.

For the year ended 31 December 2024, none of the Directors, their close associates (as defined in the Listing Rules), or any Shareholders (to the best knowledge of the Directors, own more than 5% of the issued shares of the Company) held any interest in the Group's top five customers or suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION TO HOLDERS OF LISTED SECURITIES

The Directors are not aware of any tax relief or exemption available to the Shareholders of the Company due to their holding of the Company's securities.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2024 are set out in Note 14 to the consolidated financial statements.

As stated in Note 43.6 to the consolidated financial statements in this annual report, property, plant and equipment are stated at historical cost less accumulated depreciation, net of accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

FOREIGN EXCHANGE RISK MANAGEMENT

The principal activities of the Group are operated in the PRC. The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group that are denominated in the currencies other than the respective functional currencies of the Group's entities, other than the assets denominated in Hong Kong dollars. Currently, we do not implement any foreign currency hedging policy. For the Reporting Period, the Group did not enter into any forward contract to hedge its exposure to foreign currency risk (2023: same). We will closely monitor the exchange rate in the market and take appropriate countermeasures and policies when necessary.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 42 to the consolidated financial statements in this annual report.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of change in equity and Note 25 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, amounted to approximately RMB481,623,000.

FINANCIAL RESULTS

A summary of the results, assets, liabilities of the Group for the past financial years is set out on page 176 of this annual report.

CHANGES IN SHARE CAPITAL

On 2 September 2024, the Company has completed the full conversion of 226,000,000 unlisted Domestic Shares into 226,000,000 H Shares ("**Conversion**"), and the listing of such converted H Shares on the Stock Exchange on 3 September 2024. After the full Conversion of the unlisted Domestic Shares, the total number of issued shares of the Company remains unchanged, comprising 301,600,000 shares. For details, please refer to the announcement of the Company dated 2 September 2024.

Details of movements in the share capital of the Company during the year ended 31 December 2024 are set out in Note 24 to the consolidated financial statements in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including treasury shares (as defined under the Listing Rules)) during the year ended 31 December 2024. As at 31 December 2024, the Company did not hold any treasury shares.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended 31 December 2024.

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2024, there has been no equity-linked agreements were entered into by the Group, or existed.

DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this annual report were:

Executive Directors:

Mr. Li Baoshan (*Chairman*) (*re-designated to Chairman on 9 December 2024*)

Mr. Liu Zhigang (*appointed on 6 March 2025*)

Mr. Luo Wei

Mr. Geng Ming (*Chairman*) (*resigned on 9 December 2024*)

Non-executive Directors:

Mr. Miao Wenbin

Mr. Ma Fulin

Ms. Xu Lijie

Independent Non-executive Directors:

Dr. Tse Hiu Tung, Sheldon

Mr. Cheung Ho Kong

Dr. Zhu Qing

In accordance with the provisions of the Articles of Association, every Directors are elected at the general meeting for a term of three years and shall be eligible for re-election upon expiry of their terms of office. Any Director appointed by the Board either to fill a casual vacancy or as an additional director shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

The term of office of the third session of the Board expired on 29 October 2024 and has been extended in accordance with article 83 of the Articles of Association to ensure continuity of the work of the Board, pending election and approval by the Shareholders of the fourth session of the Board at the forthcoming AGM. In accordance with article 79 of the Articles of Association, all of the Directors, whose terms have expired as on the aforementioned date, and being eligible, will offer themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTOR

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and still considers that all independent non-executive Directors have satisfied their independence to the Group.

Report of the Directors

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Save for Mr. Liu Zhigang, who has entered into an employment contract with the Company for his position as general manager of the Company and has not entered into any other service contract with the Company for his position of executive Director, which will terminate at the conclusion of the forthcoming AGM and be eligible for re-election, each of the executive Directors has entered into a service agreement with the Company for an initial term of three years, which may be terminated by either party giving not less than three months' prior written notice (or such shorter period as may be agreed by the parties in writing) and is subject to termination provisions therein and retirement and re-election at the annual general meetings of the Company in accordance with the Articles of Association.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company, which may be terminated by either party giving not less than one month prior written notice or paying an equal amount of payment in lieu of notice to the other party, and is subject to termination provisions therein and retirement by rotation in accordance with the Articles of Association or any other applicable laws from time to time.

Each of the Supervisors has entered into a service agreement with the Company for an initial term of three years, which may be terminated by either party giving not less than three months' prior written notice (or such shorter period as maybe agreed by the parties in writing) and is subject to termination provisions therein and retirement by rotation in accordance with the Articles of Association or any other applicable laws from time to time.

Save as disclosed above, none of the Directors nor Supervisors has or is proposed to have entered into any service contract with the Company which is not determinable by the Company within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance 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 an entity connected with any Director or Supervisor has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDER

Save as disclosed in this annual report, there was no contract of significance entered into between the Company, or any of its subsidiaries, and a controlling shareholder of the Company, or any of its subsidiaries, during the year ended 31 December 2024.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of the Directors, supervisors and senior management of the Group is decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and the prevailing market conditions.

Details of the remuneration of the Directors and supervisors are set out in Note 9 to the consolidated financial statements in this annual report.

No remuneration was paid by the Group to any Director, supervisors or senior management as an induction to join or upon joining the Group or as compensations for loss of office for the year and none of the Directors nor supervisors had waived any emoluments for the year.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws and regulation, every Director shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force for the year ended 31 December 2024. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year, which remains in force.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, supervisors and senior management are set out in the section headed "Directors, Supervisors and Senior Management" on pages 19 to 39 of this annual report.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2024, the interests and short positions of the Directors, supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 interests and short positions which they have taken, or are deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

Name of Director/ supervisor/chief executive	Position	Class of Shares ⁽²⁾	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in the Company ⁽³⁾
Mr. Li Baoshan	Executive Director	H Shares	Beneficial Owner	6,000,000	1.99%
Mr. Miao Wenbin ⁽⁴⁾	Non-executive Director	H Shares	Other interests ⁽⁴⁾	201,000,000	66.66%
Mr. Ma Fulin ⁽⁴⁾	Non-executive Director	H Shares	Other interests ⁽⁴⁾	201,000,000	66.66%
Mr. Ma Peilin ⁽⁴⁾	Supervisor	H Shares	Other interests ⁽⁴⁾	201,000,000	66.66%
Mr. Chen Zhen ⁽⁵⁾	Supervisor	H Shares	Interest of spouse ⁽⁵⁾	201,000,000	66.66%

Report of the Directors

Notes:

1. All interests stated are long position.
2. On 2 September 2024, the Company has completed the full conversion of 226,000,000 unlisted Domestic Shares into 226,000,000 H Shares ("**Conversion**"). After the Conversion, the H Shares increased by 226,000,000 Shares to 301,600,000 Shares, while the Domestic Shares decreased by 226,000,000 Shares to 0 Share. The total number of issued shares of the Company remains unchanged, comprising 301,600,000 H Shares.
3. This is based on the total issued Shares (H Shares) as at 31 December 2024, being 301,600,000.
4. Shuangliang Technology and Jiangsu Lichang hold 150,000,000 and 51,000,000 Domestic Shares respectively. The non-executive Directors, namely Mr. Miao Wenbin and Mr. Ma Fulin, and the supervisor of the Company, namely Mr. Ma Peilin, together with other five individuals, namely, Mr. Miao Shuangda, Mr. Miao Zhiqiang, Ms. Miao Shuya, Mr. Miao Heida and Mr. Jiang Rongfang (the "**Individual Shareholders**"), are the respective legal and beneficial owners of the entire issued share capital of Shuangliang Technology and Jiangsu Lichuang. Shuangliang Technology and Jiangsu Lichuang and the Individual Shareholders are considered as a group of the Controlling Shareholders of the Company as the Individual Shareholders have decided to restrict their abilities to exercise direct control over the Company by holding their equity interests through Shuangliang Technology and Jiangsu Lichuang. The Individual Shareholders in turn indirectly and jointly hold 201,000,000 Domestic Shares through Shuangliang Technology and Jiangsu Lichuang. Shuangliang Technology, Jiangsu Lichuang and the Individual Shareholders collectively are deemed to be interested in 66.66% of the equity interest in the Company.

After the Conversion, the 201,000,000 Domestic Shares held indirectly by the Individual Shareholders through Shuangliang Technology and Jiangsu Lichuang have been converted into H Shares.
5. Mr. Chen Zhen is the spouse of Ms. Miao Shuya, and Mr. Chen Zhen is thus deemed to be interested in the Shares held by Ms. Miao Shuya.

Save as disclosed above, as at the date of this annual report, none of the Directors, supervisors, chief executive of the Company and/or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age, or were such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate from the Listing Date to the date of this annual report.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, according to the register kept by the Company under Section 336 of SFO and so far as were known to the Directors, the following persons (otherwise than in the capacity of the Director, Supervisor or chief executive of the Company) who had interests or short positions in the Shares or the underlying Shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO were as follows:

Name of Shareholder	Class of Shares ⁽²⁾	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding interest in the Company ⁽³⁾
Shuangliang Technology ⁽⁴⁾	H Shares	Beneficial owner	150,000,000	49.75%
Jiangsu Lichuang ⁽⁴⁾	H Shares	Beneficial owner	51,000,000	16.91%
Xingyi Investment Management (Hong Kong) Limited ⁽⁵⁾	H Shares	Beneficial owner	15,660,000	5.19%
Ms. Zhou Xiaoping ⁽⁵⁾	H Shares	Interest in a controlled corporation	15,660,000	5.19%
Jiang Gang International Investment Company Limited ⁽⁶⁾	H Shares	Beneficial owner	14,823,000	4.91%
Jiangyin State-owned Capital Holding Group Financial Investment Company Limited* (江陰國有資本控股集團金融投資有限公司) ⁽⁶⁾	H Shares	Interest in a controlled corporation	14,823,000	4.91%
Jiangyin State-owned Capital Holding (Group) Company Limited* (江陰國有資本控股(集團)有限公司) ⁽⁶⁾	H Shares	Interest in a controlled corporation	14,823,000	4.91%
Ms. Chen Yang ⁽⁷⁾	H Shares	Interest of spouse	201,000,000	66.66%
Ms. Miao Minhua ⁽⁸⁾	H Shares	Interest of spouse	201,000,000	66.66%
Ms. Li Dongju ⁽⁹⁾	H Shares	Interest of spouse	201,000,000	66.66%
Mr. Miao Shuangda ⁽¹⁰⁾	H Shares	Other interest	201,000,000	66.66%
Ms. Zhu Duomei ⁽¹¹⁾	H Shares	Interest of spouse	201,000,000	66.66%
Mr. Miao Zhiqiang ⁽¹⁰⁾	H Shares	Other interest	201,000,000	66.66%

Report of the Directors

Name of Shareholder	Class of Shares ⁽²⁾	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding interest in the Company ⁽³⁾
Ms. Lu Hongxia ⁽¹²⁾	H Shares	Interest of spouse	201,000,000	66.66%
Ms. Miao Shuya ⁽¹⁰⁾	H Shares	Other interest	201,000,000	66.66%
Mr. Miao Heida ⁽¹⁰⁾	H Shares	Other interest	201,000,000	66.66%
Ms. Zhu Meifeng ⁽¹³⁾	H Shares	Interest of spouse	201,000,000	66.66%
Mr. Jiang Rongfang ⁽¹⁰⁾	H Shares	Other interest	201,000,000	66.66%
Ms. Chen Rongxiu ⁽¹⁴⁾	H Shares	Interest of spouse	201,000,000	66.66%

Notes:

- All interests stated are long position.
- On 2 September 2024, the Company has completed the full conversion of 226,000,000 unlisted Domestic Shares into 226,000,000 H Shares (“**Conversion**”). After the Conversion, the H Shares increased by 226,000,000 Shares to 301,600,000 Shares, while the Domestic Shares decreased by 226,000,000 Shares to 0 Share. The total number of issued shares of the Company remains unchanged, comprising 301,600,000 H Shares.
- This is based on the total issued Shares (H Shares) in issue as at 31 December 2024, being 301,600,000.
- The registered capital of Shuangliang Technology and Jiangsu Lichuang are held as to 20% by Mr. Miao Shuangda, 15% by Mr. Miao Wenbin, 10% by Mr. Miao Zhiqiang, 10% by Ms. Miao Shuya, 10% by Mr. Miao Heida, 15% by Mr. Jiang Rongfang, 10% by Mr. Ma Fulin and 10% by Mr. Ma Peilin, respectively. The Individual Shareholders are the respective legal and beneficial owners of the entire issued share capital of Shuangliang Technology and Jiangsu Lichuang. Shuangliang Technology and Jiangsu Lichuang and the Individual Shareholders are considered as a group of the Controlling Shareholders of the Company as the Individual Shareholders have decided to restrict their abilities to exercise direct control over the Company by holding their equity interests through Shuangliang Technology and Jiangsu Lichuang. Shuangliang Technology is thus deemed to be interested in the 51,000,000 Domestic Shares held by Jiangsu Lichuang and Jiangsu Lichuang is thus deemed to be interested in the 150,000,000 Domestic Shares held by Shuangliang Technology. Shuangliang Technology, Jiangsu Lichuang and the Individual Shareholders collectively are deemed to be interested in 66.66% of the equity interest in the Company.

After the Conversion, the 201,000,000 Domestic Shares held indirectly by the Individual Shareholders through Shuangliang Technology and Jiangsu Lichuang have been converted into H Shares.
- Xingyi Investment Management (Hong Kong) Limited is wholly-owned by Ms. Zhou Xiaoping, and Ms. Zhou Xiaoping is thus deemed to be interested in the H Shares held by Xingyi Investment Management (Hong Kong) Limited.

Report of the Directors

6. Jiang Gang International Investment Company Limited is wholly-owned by Jiangyin State-owned Capital Holding Group Financial Investment Company Limited* (江陰國有資本控股集團金融投資有限公司) which in turn is wholly-owned by Jiangyin State-owned Capital Holding (Group) Company Limited* (江陰國有資本控股(集團)有限公司). Jiangyin State-owned Capital Holding Group Financial Investment Company Limited* (江陰國有資本控股集團金融投資有限公司) and Jiangyin State-owned Capital Holding (Group) Company Limited* (江陰國有資本控股(集團)有限公司) are thus deemed to be interested in the H Shares held by Jiang Gang International Investment Company Limited.
7. Ms. Chen Yang is the spouse of Mr. Miao Wenbin, and Ms. Chen Yang is thus deemed to be interested in the H Shares held by Mr. Miao Wenbin.
8. Ms. Miao Minhua is the spouse of Mr. Ma Fulin, and Ms. Miao Minhua is thus deemed to be interested in the H Shares held by Mr. Ma Fulin.
9. Ms. Li Dongju is the spouse of Mr. Ma Peilin, and Ms. Li Dongju is thus deemed to be interested in the H Shares held by Mr. Ma Peilin.
10. Shuangliang Technology and Jiangsu Lichang hold 150,000,000 and 51,000,000 Domestic Shares respectively. The Individual Shareholders are the respective legal and beneficial owners of the entire issued share capital of Shuangliang Technology and Jiangsu Lichuang. Shuangliang Technology and Jiangsu Lichuang and the Individual Shareholders are considered as a group of the Controlling Shareholders of the Company as the Individual Shareholders have decided to restrict their abilities to exercise direct control over the Company by holding their equity interests through Shuangliang Technology and Jiangsu Lichuang. The Individual Shareholders in turn indirectly and jointly hold 201,000,000 Domestic Shares through Shuangliang Technology and Jiangsu Lichuang.

After the Conversion, the 201,000,000 Domestic Shares held indirectly by the Individual Shareholders through Shuangliang Technology and Jiangsu Lichuang have been converted into H shares.
11. Ms. Zhu Duomei is the spouse of Mr. Miao Shuangda, and Ms. Zhu Duomei is thus deemed to be interested in the Domestic Shares held by Mr. Miao Shuangda.
12. Ms. Lu Hongxia is the spouse of Mr. Miao Zhiqiang, and Ms. Lu Hongxia is thus deemed to be interested in the Domestic Shares held by Mr. Miao Zhiqiang.
13. Ms. Zhu Meifeng is the spouse of Mr. Miao Heida, and Ms. Zhu Meifeng is thus deemed to be interested in the Domestic Shares held by Mr. Miao Heida.
14. Ms. Chen Rongxiu is the spouse of Mr. Jiang Rongfang, and Ms. Chen Rongxiu is thus deemed to be interested in the Domestic Shares held by Mr. Jiang Rongfang.

Save as disclosed above, as at 31 December 2024, according to the register kept by the Company under Section 336 of the SFO and so far as were known to the Directors, there was no other person (otherwise than in the capacity of the Director, supervisor or chief executive of the Company) who had interests or short positions in the Shares or the underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2024 and up to the date of this annual report, none of the Directors is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into a number of agreements with parties who, upon the Listing, become connected persons of the Company, and the transactions disclosed in this section constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Listing.

Accommodation, catering, reception and conference organising services provided by Jiangyin Hotel

The Company entered into the following transaction with Jiangyin Hotel in the ordinary and usual course of business, which upon Listing, constituted continuing connected transactions of the Company that are fully exempt from annual reporting, announcement and independent Shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules:

Jiangyin Hotel

Jiangyin Hotel is a limited liability company established in the PRC which is principally engaged in accommodation business. Its registered capital is held as to 75% by Shuangliang Group Co. (the registered capital of Shuangliang Group Co. is held as to 68% in aggregate by Mr. Miao Shuangda (one of the controlling shareholders of the Company) and his associates, Shuangliang Group Co. is an associate of Mr. Miao Shuangda, therefore Shuangliang Group Co. is a connected person of the Company), and thus Jiangyin Hotel is a subsidiary of Shuangliang Group Co. and hence a connected person of the Company under Chapter 14A of the Listing Rules. During the Reporting Period, Jiangyin Hotel had provided us services of accommodation, catering, reception and conference organising, and leased premises to us.

Principal terms

The Group has been procuring consumer services, including but not limited to accommodation, catering, reception and conference organising services (the **"Comprehensive Services"**), from Jiangyin Hotel since 2010, which are in the ordinary and usual course of business and on normal commercial terms or better than those available from independent third parties. The respective service fees to be charged shall be determined after arm's length negotiations between the Group on one hand, and Jiangyin Hotel on the other hand, with reference to (i) the prevailing market price for the provision of similar Comprehensive Services; and (ii) all costs incurred for the provision of such services.

Reasons for entering into the Comprehensive Services transactions

Taking into account that (i) the Company has over 10 years of business relationship with Jiangyin Hotel; (ii) the quality of Comprehensive Services provided by Jiangyin Hotel has been satisfactory to us; and (iii) the proximity of the relevant facilities of Jiangyin Hotel with the Company, it is expected that the Company will continue to engage Jiangyin Hotel for such Comprehensive Services from time to time on an as-needed basis, which constitutes continuing connected transactions for us under Chapter 14A of the Listing Rules.

Annual caps and basis

The annual caps for the Comprehensive Services for the year ending 31 December 2025 will not exceed RMB1.5 million. The actual transaction amount for the Comprehensive Services paid by the Company to Jiangyin Hotel amounted to approximately RMB1.5 million for the Reporting Period.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Master Agreements for (a) purchase of heat services-related equipment, devices and materials; and (b) procurement of add-on services in relation to heat services-related equipment, devices and materials

The Company (on its own and on behalf of its subsidiaries) entered into the following transactions with Shuangliang Eco-Energy (on its own and on behalf of its subsidiaries) and Shuangliang Boiler in the ordinary and usual course of business, which upon Listing, constituted continuing connected transactions of the Company subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

Shuangliang Eco-Energy

Shuangliang Eco-Energy is a joint stock limited liability company incorporated in the PRC and listed on the Shanghai Stock Exchange (stock code: 600481.SH), which is principally engaged in the manufacturing and sales of products of (i) energy-saving and water-saving systems; and (ii) new energy systems (新能源系統). Mr. Miao Shuangda (one of the controlling shareholders of the Company) and his associates, both directly and indirectly and individually and collectively, hold approximately 46.01% equity interest in Shuangliang Eco-Energy. Therefore, Shuangliang Eco-Energy is a connected person of the Company under Chapter 14A of the Listing Rules. During the Reporting Period, Shuangliang Eco-Energy Group had mainly supplied us with equipment for heat service.

Shuangliang Boiler

Shuangliang Boiler is a limited liability company established in the PRC which is principally engaged in manufacturing and sales of boilers. Its registered capital is held as to 66.67% by Shuangliang Technology (one of the controlling shareholders of the Company). As a subsidiary of Shuangliang Technology, Shuangliang Boiler is a connected person of the Company under Chapter 14A of the Listing Rules. During the Reporting Period, Shuangliang Boiler had supplied us with equipment for heat service.

Principal terms

On 26 April 2024, the Company entered into (i) Annual Master Supply and Service Agreement for 2024 (the "**Master Agreement 1**") with Shuangliang Eco-Energy (on its own and on behalf of its subsidiaries); and, on 29 May 2023, entered into (ii) Master Supply Agreement for the three years ending 31 December 2025 with Shuangliang Boiler (the "**Master Agreement 2**", together with the Master Agreement 1 referred hereinafter to as collectively the "**Master Agreements**").

Pursuant to the Master Agreement 1, the Company shall purchase heat services-related equipment, devices and materials (with related supporting services) and/or add-on services in relation to heat services-related equipment, devices and materials (such as equipment modification, maintenance and safety monitoring). The Master Agreement 1 commenced upon approval by the respective authorised bodies (board of directors or the shareholders' meeting) of both parties (whichever is later) and shall remain in effect until the conclusion of the next annual review by the respective authorised bodies (board of directors or the shareholders' meeting) of both parties following the approval of the Master Agreement 1 (whichever is later). The Company will duly consider the need of procurement of heat services-related equipment, devices and materials (with related supporting services) and related add-on services and enter into a new agreement upon expiry of the Master Agreement 1.

Pursuant to the Master Agreement 2, the Company shall purchase heat services-related equipment, devices and materials (with related supporting services). The Master Agreement 2 commenced from the Listing Date and will expire on 31 December 2025.

Report of the Directors

The following sets out the principal terms of the Master Agreements:

We will make purchase order or service request with Shuangliang Eco-Energy Group or Shuangliang Boiler from time to time on an as-needed basis when we need to purchase any heat services-related equipment, devices and materials (with related supporting services) and/or add-on services in relation to heat services-related equipment, devices and materials. The purchase price for each individual purchase order and/or the service fee for each request shall be determined after arm's length negotiations between Shuangliang Eco-Energy Group or Shuangliang Boiler and us from time to time with reference to the then prevailing market price, quality and logistics capacity of similar products or services in the market by way of independent third-party quotation.

Since the Master Agreements are framework agreements, the Master Agreements did not specify any repayment terms. According to our dealings with Shuangliang Eco-Energy Group and Shuangliang Boiler during the Reporting Period, we are usually required to settle the relevant fees by instalments in accordance with the terms of each agreement. The actual payment terms should be determined on a case by case basis.

Reasons for entering into the Master Agreements

For Master Agreement 1

For conducting our business, we procured heat service-related equipment, such as boilers and heat exchangers. Shuangliang Eco-Energy Group has supplied heat services related equipment, devices and materials (with related supporting services) and provided add-on services in relation to heat services-related equipment, devices and materials to the Group since 2014.

Taking into account (i) Shuangliang Eco-Energy is a company established in 1995 and listed on the Shanghai Stock Exchange and has been supplying heat service-related equipment for some time; (ii) Shuangliang Eco-Energy Group is capable of supplying equipment, devices, materials and services required by the Group; (iii) Shuangliang Eco-Energy Group was able to meet our requirements on a timely basis with a price that we considered relatively competitive, the Directors consider that entering into the Master Agreement 1 with Shuangliang Eco-Energy (on its own and on behalf of its subsidiaries) would allow the Group to maintain a stable supply of heat services-related equipment, devices and materials (with related supporting services) as well as related add-on services required for our business.

Further, the Directors are of the opinion that the terms of the Master Agreement 1 are fair and reasonable, on normal commercial terms or better and in the interest of the Group and the Shareholders as a whole.

For Master Agreement 2

For conducting our business, we procured boilers as one of the heat service-related equipment. Shuangliang Boiler has been supplying heat services-related equipment, devices and materials (with related supporting services) to the Group during the Reporting Period.

Taking into account that (i) Shuangliang Boiler is capable of supplying certain equipment, devices, materials and providing related supporting services required by the Group on a timely basis with a competitive price, satisfactory product quality and after-sales service offerings; and (ii) Shuangliang Boiler has a track record in going through our supplier selection processes and supplying heat services-related equipment including boilers, the Directors consider that entering into the Master Agreement 2 with Shuangliang Boiler would allow the Group to maintain a stable supply of heat services-related equipment, devices and materials.

Further, the Directors are of the opinion that the terms of the Master Agreement 2 are fair and reasonable, on normal commercial terms or better and in the interest of the Group and the Shareholders as a whole.

Annual caps and basis

The aggregated annual caps for the year ending 31 December 2025 under the Master Agreements are RMB4.7 million. The actual transaction amounts for the Master Agreement 1 and Master Agreement 2 paid by the Company to Shuangliang Eco-Energy and Shuangliang Boiler amounted to approximately RMB7.1 million and RMB2.2 million for the Reporting Period, respectively. Therefore, the actual transaction amount for the Master Agreements was approximately RMB9.3 million in aggregate.

Continuing connected transactions reviewed by independent non-executive Directors

According to Rule 14A.55 of the Listing Rules, all independent non-executive Directors have reviewed the continuing connected transactions and confirmed that they are:

- (1) entered into in the ordinary and usual business of the Group;
- (2) conducted on normal commercial terms or better; and
- (3) conducted in accordance with the respective terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmation from the auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor, PricewaterhouseCoopers, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised), "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

Based on the work performed, the auditor of the Company confirmed to the Board that nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions:

- (1) have not been approved by the Board;
- (2) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (3) have exceeded the annual caps as set by the Company.

An auditor's letter has been provided to the Company.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group for the year ended 31 December 2024 are set out in Note 38 to the consolidated financial statements in this annual report. Save as disclosed above, the related party transactions disclosed in Note 38 were not regarded as connected transactions or continuing connected transactions and were exempt from reporting, announcement and Shareholders' approval requirements under the Listing Rules.

Report of the Directors

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The change in Directors', Supervisors' and/or senior management's information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

- On 22 January 2024, Mr. Liu Zhigang resigned from his position as the employee representative Supervisor to the Supervisory Committee due to a change in work arrangements. On the same day, Mr. Wang Shuai was elected as the employee representative Supervisor to the Supervisory Committee.
- On 9 December 2024, Mr. Geng Ming resigned from his position as executive Director, chairman of the Board, and chairman of the Nomination Committee as he has reached the age of retirement and ceased to hold any position in the Company after resignation. On the same day, Mr. Li Baoshan resigned from his position as general manager of the Company due to changes in work arrangement and was re-designated as the chairman of the Board and chairman of the Nomination Committee. On the same day, Mr. Li Zhigang was appointed general manager of the Company.
- Subsequent to the Reporting Period, on 6 March 2025, Mr. Liu Zhigang was appointed as executive Director.

Save as disclosed in this report, there are no other matters to be disclosed pursuant to Rule 13.51B of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year ended 31 December 2024.

FUND RAISING

During the year ended 31 December 2024, there was no fund raising activity carried out by the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors as at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

CHARITABLE DONATIONS

During the year ended 31 December 2024, the Group made charitable and other donations in a total amount of RMB8,000.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 61 to 79 of this annual report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

Since the Listing Date, the Company has adopted a code of conduct regarding Directors' and supervisors' securities transactions on terms no less exacting than the Model Code.

Having made specific enquiries with all the Directors and supervisors, each of the Directors and supervisors confirmed that he/she has complied with the required standards as set out in the Model Code during the year ended 31 December 2024. Meanwhile, the Company was not aware of any events of non-compliance with the Model Code by the relevant employees during the year ended 31 December 2024.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company was successfully listed on the Main Board of the Stock Exchange on 10 July 2023. The net proceeds from the Global Offering, after deduction of the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering, amounted to approximately HK\$187.5 million. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus.

Net proceeds from the Global Offering have been, and will be, utilised in accordance with the proportion of use allocation as set out in the section headed “Future Plan and Use of Proceeds” in the Prospectus.

EXTENSION OF TIMELINE IN USE OF NET PROCEEDS

During the year of 2024, the Group has continued to pursue the intended construction and expansion projects. As at the date of this report:

- the construction activities for the Lanzhou Peak-saving Boiler Construction project have been completed, and the project has progressed to the acceptance and quality assurance stage. To ensure that construction deliverables have strictly complied with our specifications and are fit for use, we will continue to carry out rigorous quality assurance checks and acceptance procedures, which are expected to complete by the end of 2025. Following our acceptance of the construction deliverables, the Company expects to fully utilise the net proceeds from the Global Offering allocated for this project to settle payments due in accordance with the terms of the contract; and
- the construction and expansion activities for the Xinmi Preparation and Expansion Project are currently underway. Due to the slower-than-expected rate of property development within the concession area of Xinmi of Henan Province, the forecast timeframe needed for achieving full heat supply capacity has been extended to account for the actual heat demand of the region. The Company expects to fully utilise the net proceeds from the Global Offering allocated for this project by the end of 2026.

The table below sets out the planned applications of the net proceeds and actual usage from the Listing Date up to 31 December 2024:

Major uses	Percentage of net proceeds	Planned allocation of Net Proceeds (HKD million)	Planned allocation of Net Proceeds ⁽²⁾ (RMB million)	Utilised amount (as at 31 December 2024) (RMB million)	Unutilised amount (as at 31 December 2024) (RMB million)	Expected timeline for utilising the unutilised net proceeds from the Global Offering ⁽¹⁾
Lanzhou Peak-shaving Boiler Construction	50.0%	93.7	85.3	34.3	51.0	On or before 31 December 2025 ⁽³⁾
Xinmi Project Preparation and Expansion	40.0%	75.0	68.2	18.7	49.5	On or before 31 December 2026 ⁽³⁾
The Group's working capital and other general corporate purposes	10.0%	18.8	17.1	10.0	7.1	On or before 31 December 2025 ⁽³⁾
Total	100.0%	187.5	170.6	63.0	107.6	

Report of the Directors

Notes:

- (1) The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the market conditions made by the Group.
- (2) Net proceeds from the Global Offering were received in Hong Kong dollars and translated to Renminbi for application planning.
- (3) The unutilised net proceeds will be used for their respective disclosed purposes and following the expected implementation timetable. The Company will deposit the unutilised net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institution (as defined under the SFO or the Commercial Banking Law of the PRC (中華人民共和國商業銀行法) and other relevant laws in the PRC).

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed “Management Discussion and Analysis”, no important events affecting the Company occurred since the year ended 31 December 2024 and up to the date of publication of this annual report.

MATERIAL LITIGATION

As at 31 December 2024, the Company was not involved in any litigation, arbitration, administrative proceedings of material importance which could have a material adverse effect on its financial condition or results of operations, and, so far as the Company is aware, no litigation, arbitration, administrative proceedings of material importance is pending or threatened against the Company.

AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

On behalf of the Board

Li Baoshan

Chairman and Executive Director

Hong Kong, 21 March 2025

Report of the Supervisory Committee

WORK REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is pleased to present the Report of the Supervisory Committee for the year ended 31 December 2024.

During the Reporting Period, the Supervisory Committee has actively perform its functions and powers as prescribed by the Articles of Association, the Rules of Procedure for the Supervisory Committee and the PRC Company Law. By present at the Shareholders' meeting, the meetings of the Board, participating in the relevant discussions and reviewing the financial statements, the Supervisory Committee effectively monitored the lawful operation and financial situation of the Company as well as performed the supervisory functions on the Directors and senior management in their performance of their duties.

1. COMPOSITION OF THE SUPERVISORY COMMITTEE

In accordance with the Articles of Association, the Supervisory Committee comprises 3 supervisors. During the Reporting Period and up to the date of this annual report, the members of the Supervisory Committee included:

Mr. Ma Peilin (*Chairman*)

Mr. Chen Zhen

Mr. Wang Shuai (*Employee Representative Supervisor*) (*appointed on 22 January 2024*)

Mr. Liu Zhigang (*Employee Representative Supervisor*) (*resigned on 22 January 2024*)

2. CONVENING OF MEETINGS OF SUPERVISORY COMMITTEE

The Supervisory Committee convened 4 meetings during the Reporting Period to consider and approve, among others, the interim consolidated financial statements, interim results announcement and interim report for 2024; the postponed election of the new session of the board and the supervisory committee; the resignation of Mr. Geng Ming as executive Director, chairman of the Board and the authorised representative; the re-designation of Mr. Li Baoshan as chairman of the Board; the appointment of Mr. Liu Zhigang as general manager of the Company. All Supervisors attended all meetings of the Supervisory Committee and the meetings were chaired by Mr. Ma Peilin, the chairman of the Supervisory Committee, which were in compliance of the PRC Company Law and the Articles of Association.

3. PRESENT AT/ATTEND MAJOR MEETINGS

All Supervisors attended 6 Board meetings and 1 Shareholders' general meetings to understand the significant decision-making progress of the Company, actively participated in the discussions on the topics of the meetings and performed their supervisory functions on the procedures and content of the meetings.

4. ROUTINE EXAMINATION AND EVALUATION

During the Reporting Period, the Supervisory Committee examined closely on the operations of the Company to make sure that no irregularities have been identified in the daily operation of the Company and the Company is always operated in compliance with the applicable laws, regulations, rules and the Articles of Association. In addition, the Supervisory Committee also conducted thoroughly review on the internal control system and financial management system of the Company.

During the Reporting Period, the Supervisory Committee supervised the Directors and senior management of the Company to make sure that the Directors and senior management of the Company have performed their duties diligently and in compliance with the applicable laws, regulations, rules and the Articles of Association.

Report of the Supervisory Committee

5. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE

In the opinion of the Supervisory Committee:

- (1) The Company operated its business in accordance with the laws, regulations, the Articles of Association and the Listing Rules. The existing internal control system of the Company was reasonable, effective, had no major flaws and complied with the applicable laws, regulations and rules and can achieve all the requirements of effective risk control in all material aspects. The Company was able to make decisions according to the applicable laws, regulations and rules and was in strict compliance with the requirements of the PRC Company and the Articles of Association. The decision-making process for the operation of the Company was legitimate and valid. The Company disclosed important information on the Company in a timely manner pursuant to the Listing Rules and other securities regulatory and management requirement. The Directors and senior management were diligent and dutiful in strict compliance with the applicable laws, regulations, rules and the Articles of Association. There were no violations of laws and regulations and no circumstances that were detrimental to the interests of the Company and the Shareholders.
- (2) The Company had sound financial systems and regulated management. The financial report of the Company for the year ended 31 December 2024 can reflect the Company's operating results and financial condition in a comprehensive, objective and truthful manner. The preparation and review procedures of the financial report has complied with the applicable laws, regulations, rules, the Articles of Association and the internal management system of the Company. The Supervisory Committee was not aware of any violation of the relevant accounting standards and legal requirements by the personnel who were involved in the preparation and review of the financial report.
- (3) During the Reporting Period, the management and use of the proceeds from the Global Offering strictly observed the relevant laws, regulations, rules and the section headed [Future Plan and Use of Proceeds] in the Prospectus. There were no circumstances that would change the use of proceeds and harm the interests of Shareholders.
- (4) During the Reporting Period, the connected transactions of the Company were conducted in compliance with market rules at fair transaction prices. The implementation of connected transactions was in strict compliance with the resolutions of the Board and the Shareholders' general meetings and relevant systems. There were no violations of laws and regulations and no abuse of authority which could impair the interests of the Company and the Shareholders.

6. MAJOR INITIATIVES FOR 2025

In 2025, the Supervisory Committee will perform its duties diligently under relevant requirements of the Listing Rules, the Articles of Association and the Rules of Procedure of the Supervisory Committee, implement effective supervision on the Company, Directors and senior management, closely monitor the operation and management of the Company, pay attention to any significant development of the Company, and faithfully safeguard the interests of the Shareholders and the Company as a whole. Meanwhile, the Supervisory Committee will focus on the improvement of the corporate governance of the Company to strive to achieve sustainable, steady and healthy development of the Company and continuously create long-term value for the Shareholders.

On behalf of the Supervisory Committee

Ma Peilin

Chairman of the Supervisory Committee

Hong Kong, 21 March 2025

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximizing shareholders' interests.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as its own code of corporate governance. Continuous efforts are made to review and enhance its internal controls and procedures in light of changes in regulations and developments in best practices.

During the year ended 31 December 2024 and up to the date of this annual report, in the opinion of the Directors, the Company has complied with all the principles and code provisions as set out in the CG Code.

THE BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board shall regularly review the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time in performing his/her role and the Board's responsibilities. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. The senior management of the Group should report back and obtain prior approval from the Board before making decisions or entering into any commitments on the Company's behalf. To oversee particular aspects of the Company's affairs, the Board has established three Board Committees including the Nomination Committee, the Remuneration Committee and the Audit Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Chairman and Chief Executive Officer

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. There is no chief executive officer in the Company but there is a general manager in the Company. The general manager is responsible for the overall management and oversight of the Group's business. The chairman of the Board provides leadership and is responsible for the effective functioning and leadership of the Board. The positions of chairman of the Board and general manager were held by Mr. Geng Ming and Mr. Li Baoshan respectively (up to 9 December 2024) and are held by Mr. Li Baoshan and Mr. Liu Zhigang respectively (started from 9 December 2024).

Board Composition

As at the date of this annual report, the Board comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Mr. Li Baoshan (*Chairman*) (*redesignated on 9 December 2024*)

Mr. Liu Zhigang (*appointed on 6 March 2025*)

Mr. Luo Wei

Mr. Geng Ming (*Chairman*) (*resigned on 9 December 2024*)

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Non-executive Directors:

Mr. Miao Wenbin

Mr. Ma Fulin

Ms. Xu Lijie

Independent non-executive Directors:

Dr. Tse Hiu Tung, Sheldon

Mr. Cheung Ho Kong

Dr. Zhu Qing

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographies of the Directors are set out under the section headed “Directors, Supervisors and Senior Management” of this annual report.

During the Reporting Period, the Board at all times met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive director representing at least one-third of the Board, such that there is always a strong element of independence on the Board which can effectively exercise independent judgement.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them has satisfied his independence to the Group.

Save as disclosed in the biographies of the Directors as set out in the section headed “Directors, Supervisors and Senior Management” of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Director or any chief executive.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

ANALYSIS OF THE DIVERSITY OF THE BOARD

The Board has a balanced mix of directors from different industries and with varied professional backgrounds, having diverse experience, knowledge and expertise, whom collectively as a group provides such balanced views and opinions which are beneficial to the Group and its shareholders as a whole.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company’s operations and businesses as well as his/her responsibilities under relevant laws, rules and regulations. Mr. Liu Zhigang, whose appointment as executive Director of the Company was approved by the Shareholders in the EGM, has obtained legal advice referred to under Rule 3.09D of the Listing Rules and he has understood his obligations as a director of a listed issuer.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company’s expenses.

Corporate Governance Report

The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Pursuant to code provision C.1.4 of the CG Code, 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.

Below is the record of participation in continuous professional development programme by the Directors during the Reporting Period relevant to the directors' duties and responsibilities, regulatory updates and business, financial and operational matters of the Group.

Directors	Types of training (Note)
Executive Directors	
Mr. Li Baoshan	C
Mr. Liu Zhigang (<i>appointed on 6 March 2025</i>)	N/A
Mr. Luo Wei	C
Mr. Geng Ming (<i>resigned on 9 December 2024</i>)	C
Non-executive Directors	
Mr. Miao Wenbin	C
Mr. Ma Fulin	C
Ms. Xu Lijie	C
Independent non-executive Directors	
Dr. Tse Hiu Tung, Sheldon	A,C
Mr. Cheung Ho Kong	A
Dr. Zhu Qing	A

Note: Types of training

A: Attending seminars/conferences/forums

B: Giving talks at seminars/conferences/forums

C: Reading materials

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and the non-executive Directors entered into a service agreement with the Company on 29 October 2023 (except for Mr. Liu Zhigang who entered into an appointment letter with the Company on 6 March 2025) for an initial term of three years which may be terminated by either party giving not less than three months' prior notice in written notice (or such shorter period as may be agreed by the parties in writing) and is subject to termination provisions therein and retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles of Association or any other applicable laws from time to time whereby he/she shall vacate his/her office.

Each of the independent non-executive Directors has entered into an appointment letter with the Company on 29 May 2023 which may be terminated by either party giving not less than one month prior written notice or paying an equal amount of payment in lieu of notice to the other party and is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles of Association or any other applicable laws from time to time whereby he/she shall vacate his/her office.

Corporate Governance Report

None of the Directors has or is proposed to have a service agreement which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

In accordance with the provisions of the Articles of Association, every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years; any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office until the first general meeting of Company after his/her appointment and be eligible for re-election at such meeting.

The procedures and process of appointment, re-appointment and continuation (or not) in service of any Director are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the composition of the Board, monitoring the appointment or re-appointment of Directors and succession planning for Directors.

BOARD MEETINGS

The Company has adopted the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. Arrangements should be in place to ensure that all Directors are given an opportunity to include matters in the agenda for regular Board meeting.

For other Board and Board Committee meetings, reasonable notice will generally be given. The agenda and accompanying Board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and will be adequately prepared for the meetings. The chairman of the Board should ensure that all Directors are properly briefed on issues arising at Board meetings. When Directors or committee members are unable to attend a meeting, they will be advised on the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. The chairman held meetings with the independent nonexecutive Directors without the presence of other Directors during the Reporting Period.

Minutes of the Board meetings and committee meetings will be recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

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ATTENDANCE RECORDS OF BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

The attendance records of each Director and each member of the Board Committees of the Company at the relevant meetings during the year ended 31 December 2024 are as follows:

	Actual Attendance/Number of Meetings a Director is entitled to attend				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	General Meeting
No. of meetings	6	2	1	2	1
Executive Directors					
Mr. Li Baoshan	6/6	N/A	N/A	N/A	1/1
Mr. Luo Wei	6/6	N/A	N/A	N/A	1/1
Mr. Geng Ming (<i>resigned on 9 December 2024</i>)	6/6	2/2	N/A	N/A	1/1
Non-executive Directors					
Mr. Miao Wenbin	6/6	N/A	N/A	2/2	1/1
Mr. Ma Fulin	6/6	N/A	1/1	N/A	1/1
Ms. Xu Lijie	6/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Dr. Tse Hiu Tung, Sheldon	6/6	2/2	N/A	N/A	1/1
Mr. Cheung Ho Kong	6/6	N/A	N/A	2/2	1/1
Dr. Zhu Qing	6/6	2/2	1/1	2/2	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms no less exacting than the Model Code.

Having made specific enquiries with all the Directors and Supervisors, each of the Directors and Supervisors confirmed that he/she has complied with the required standards as set out in the Model Code during the year ended 31 December 2024 and up to the date of this annual report. Meanwhile, the Company was not aware of any events of non-compliance with the Model Code by the relevant employees during the year ended 31 December 2024 and up to the date of this annual report.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including approval and monitoring of all policy matters, 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. Directors could have resources to seek independent professional advice in performing their duties at the Company's expense and are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management of the Group. The Company has formalised the functions reserved to the Board and those delegated to the senior management of the Group. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

The Board delegated the Company's corporate governance functions to the Audit Committee to perform the following corporate governance duties:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board approved the terms of reference of the Nomination Committee, the Audit Committee and the Remuneration Committee.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors, Supervisors and senior management of the Group. The remuneration of the Directors, Supervisors and senior management of the Group is decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and the prevailing market conditions. Details of the remuneration of each of the Directors and Supervisors for the Reporting Period are set out in Note 9(c) to the consolidated financial statements in this annual report.

The biographies of the senior management are disclosed in the section headed "Directors, Supervisors and Senior Management" in this annual report. Remuneration paid to the top senior management (excluding the Directors and Supervisors) for the Reporting Period fell within the following bands are as follows:

Remuneration Band (HK\$)	No. of employees
Nil to 1,000,000	5
1,000,001–2,000,000	1
2,000,001–3,000,000	1

DIRECTORS' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee was established on 29 May 2023 and the written terms of reference of the Nomination Committee had been adopted by the Board and were posted on the websites of the Company and the Stock Exchange.

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The Nomination Committee comprises three members, namely Mr. Li Baoshan, Dr. Tse Hiu Tung, Sheldon and Dr. Zhu Qing. Mr. Li Baoshan currently serves as the chairman of the Nomination Committee. During the Reporting Period, Mr. Geng Ming resigned as the chairman of the Nomination Committee and Mr. Li Baoshan was appointed as the chairman of the Nomination Committee on 9 December 2024.

The primary duties of the Nomination Committee include:

- to review and make recommendations to the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategies, business operation and shareholding structure;
- to determine the policy for the nomination of directors and senior management, identify individuals suitably qualified to become directors and select or make recommendations to the Board on the relevant individuals nominated for directorship. In identifying suitable individuals, the Committee shall consider individuals on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;
- to assess the independence of the independent non-executive Directors;
- to determine the diversity policy on the Board, and to review the Board diversity policy, as appropriate, and review the measurable objectives that the Board has set for implementing the Board diversity policy and the progress on achieving the objectives to ensure the continued effectiveness of the Board diversity policy; and make disclosure of a summary of the Board diversity policy together with its review results and the rationale for the factors used for determining the degree of diversity of the Board in the Corporate Governance Report annually;
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for directors, in particular the chairman of the Board and the chief executive officer (if applicable); and
- to perform other duties incidental to the duties of the Committee delegated as appropriate by the Board or as stipulated in the CG Code and other relevant laws and regulations from time to time.

Nomination Policy

The Company follows a formal, considered and transparent procedure for the appointment of new Directors for the Board to achieve a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's strategic focus and specific business needs. Recognising the vitality of diversity for the Board, the Company has adopted a board diversity policy.

The Nomination Committee reviews the structure, size and composition of the Board regularly and makes recommendation to the Board to complement the corporate strategy of the Company. The appointment of a new Director is a collective decision of the Board, taking into consideration the procedures for Shareholders to propose a person for election as a Director of the Company and the Board Diversity Policy.

Selection Criteria

When evaluating and selecting candidates for directorships, the members of the Nomination Committee or the Board shall consider the following criteria:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategies;

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- Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;
- in case of independent non-executive Directors, whether the candidates would be considered independent in accordance with Rule 3.13 of the Listing Rules;
- The board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- Such other perspectives appropriate to the Company's business.

Nomination Procedures

Appointment of New Director

- The Nomination Committee shall, upon receipt of the proposal on appointment of new Director and the personal information (or relevant details) of the proposed candidate(s), evaluate such candidate(s) based on the criteria as set out above to determine whether such candidate(s) is qualified for directorship;
- If there is more than one desirable candidate, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);
- The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship; and
- For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Re-election of Director at General Meeting

- The Nomination Committee shall review the overall contribution and service to the Company of the retiring Director including his/her attendance of Board meetings and, where applicable, general meetings, and his/her level of participation and performance on the Board and the Company's business;
- The Nomination Committee shall also review and determine whether the retiring Director continues to meet the selection criteria as set out above; and
- The Board, with the recommendation from Nomination Committee, shall then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

The Board believes that changes to the Board composition shall be managed without undue disruption, and shall continue to provide a balanced composition of the executive Directors, the non-executive Directors (including independent non-executive Directors) so that there is a strong independent element in the Board, which can effectively exercise independent judgement.

Board Diversity Policy

With a view to enhancing the effectiveness of the Board and maintaining high standard of corporate governance, the Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. Appointments of members of the Board will be based on merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee is delegated by the Board to be responsible for compliance with relevant codes governing board diversity under the CG Code. As at the date of this annual report, the Board comprises nine Directors, one of whom is female. The Board considers the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business, and allowed opinion from different gender and background be heard and discussed, and Board diversity (including gender diversity) has been achieved, which complies with the relevant requirements under Rule 13.92 of Listing Rules. The Board targets to maintain the current level of at least one female representation on the Board. The Board will continue to review its structure to ensure it suits the requirement of its business and support the development of the Group. If situation evolves and the Board determines that an additional or replacement Director is required to achieve gender diversity or to suit the business requirements and support the development of the Group, the Company will deploy multiple channels for identifying suitable Director candidates, including without limitation, referral from management, Shareholders and advisors of the Company, or internal promotion, with regard to the range of diversity perspectives set forth in the board diversity policy.

Independent Opinions

The Company has put in place a mechanism for each Director to seek independent professional advice in performing their duties at the Company's expense to ensure that independent views and inputs are available to the Board. The Directors are provided with sufficient resources to perform their duties. For example, the Board and the Board Committees are offered with adequate information and have separate and independent access to the Company's senior management to enable it to make informed decisions. All Directors are entitled to have access to Board papers and related materials which are in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. In particular, the management has provided all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties. In addition, the Audit Committee is able to coordinate and discuss with the external auditor of the Company on an annual basis to discharge its duties. The Board has reviewed such mechanism on an annual basis to ensure its continued effectiveness.

During the year ended 31 December 2024, the Nomination Committee held 2 meetings. The Nomination Committee has reviewed (i) the structure, size, composition and diversity of the board, (ii) the recommendation of the re-election of the directors at the annual general meeting based on the Nomination Policy and the Board Diversity Policy, (iii) board diversity policy and (iv) the independence of the independent non-executive directors. In addition, the Nomination Committee reviewed and recommended to the Board on the resignation of Mr. Geng Ming as an executive Director, chairman of the Board and chairman of the Nomination Committee of the Board, the redesignation of Mr. Li Baoshan as chairman of Board and the appointment of Mr. Li Baoshan as chairman of the Nomination Committee.

Remuneration Committee

The Remuneration Committee was established on 29 May 2023 and the written terms of reference of the Remuneration Committee had been adopted by the Board and were posted on the websites of the Company and the Stock Exchange.

The Remuneration Committee is comprised of three members, namely Dr. Zhu Qing, Mr. Ma Fulin and Dr. Tse Hiu Tung, Sheldon. Dr. Zhu Qing currently serves as the chairman of the Remuneration Committee.

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The primary duties of the Remuneration Committee include:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management, on employee benefit arrangement and on the formulation of a formal and transparent procedure for developing remuneration policies;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including compensation for loss or termination of their office or appointment;
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibility and employment conditions elsewhere in the Company and its subsidiaries;
- to review and approve the compensation payable to executive Directors and senior management for loss or termination of their office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable and not excessive for the Company;
- to review and approve the compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- to ensure that no Director or any of his associates is involved in determining his own remuneration;
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and
- to discuss the policies of and plans on the salary, benefits and rewards of the Company, making recommendations to the Board about and monitoring the implementation of the same.

The Remuneration Committee should consult the chairman of the Board about their remuneration proposals for other executive Directors.

During the year ended 31 December 2024, the Remuneration Committee held 1 meeting and the Remuneration Committee has reviewed and made recommendations to the Board on (i) the remuneration packages of individual executive Directors and senior management and (ii) the remuneration of non-executive Directors and independent non-executive Directors.

Audit Committee

The Audit Committee was established on 29 May 2023 and the written terms of reference of the Audit Committee had been adopted by the Board and were posted on the websites of the Company and the Stock Exchange.

The Audit Committee is comprised of one non-executive Director and two independent non-executive Directors, namely Mr. Miao Wenbin, Mr. Cheung Ho Kong and Dr. Zhu Qing with Mr. Cheung Ho Kong possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. Mr. Cheung Ho Kong is the chairman of the Audit Committee. None of the members of the Audit Committee is a former partner of the Company's external auditor.

The primary duties of the Audit Committee include:

Relationship with the Company's auditors

- to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and dealing with any questions of its resignation or dismissal;
- to review and monitor the external auditor's work, independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- to discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
- to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

- to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant comments therein in respect of financial reporting;
- in reviewing these statements and reports mentioned in paragraph (e) before submission to the Board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards;
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- regarding the above:
 - (i) members of the Committee should liaise with the Board and senior management and the Committee must meet, at least twice a year, with the Company's auditors; and
 - (ii) the Committee should consider any significant or unusual matters that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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Oversight of the Company's financial reporting system, risk management and internal control systems

- to review the Company's financial controls reporting, and unless expressly addressed by a separate Board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;
- to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective systems in place. This discussion should include the adequacy of resources, staff qualifications and experience and training programmes in respect of the Company's accounting and financial reporting function, as well as the sufficiency of the budget of the Company's accounting, internal auditing and financial reporting function;
- to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and the management's response to these findings;
- where an internal audit function of the Company exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- to review the Group's financial and accounting policies and practices;
- to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and the management's response;
- to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- to review arrangements in which employees of the Company can raise, in confidence, their concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;
- to act as the key representative body for overseeing the Company's relations with the external auditor;
- to report to the Board on the matters set out above;
- to consider other matters, as defined or assigned by the Board or required under the relevant laws and regulations from time to time;

Corporate governance functions

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

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During the year ended 31 December 2024, the Audit Committee held 2 meetings and the Auditor Committee has performed the following major works:

- reviewed the Company's financial and accounting policies and practices;
- reviewed the Company's policies and practices regarding compliance with legal and regulatory requirements;
- reviewed the effectiveness of the risk management and internal control systems and internal audit function, covering financial, operational and compliance controls and risk management functions;
- reviewed the Company's compliance with the CG Code and its policies and practices related to corporate governance;
- considered and recommended to the Board on the approval of the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2024;
- reviewed and monitored the external auditor's work, independence and objectivity and the effectiveness of the audit process and the amount of audit fee; and
- considered and recommended to the Board on the re-appointment of the external auditor.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities in relation to the preparation of the financial statements for the Reporting Period and in ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 80 and 86 of this annual report.

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board fully understands its responsibilities for risk management and internal control systems, and for reviewing their effectiveness. The Board assumes its duty to oversee and manage the overall risks associated with its operations, and has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. Such responsibility is primarily fulfilled by the Audit Committee which is responsible for reviewing and supervising the financial reporting process and internal control system of the Group. The Audit Committee also works with senior management to monitor the implementation of the risk management policies across the Group on an ongoing basis to ensure that the internal control system is effective in identifying, managing and mitigating risks involved in the operations. The Company has an audit department which is responsible for internal audit. The Group has also engaged an independent internal control consultant to perform a review over the internal controls of the Group during the Reporting Period.

Corporate Governance Report

The Group is dedicated to the establishment and maintenance of a robust internal control system. It aims to dynamically and effectively capture and evaluate significant emerging risks and risk changes, both quantitatively and qualitatively, and to timely manage risks by appropriate risk responses and mitigation strategies. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The main goal of the Group's risk management and internal control systems is to provide reasonable but not absolute assurance against material misstatement or loss of the Group.

The Group has adopted and implemented risk management policies and corporate governance measures in various aspects of the business operations, such as contract management, risk management and capital management.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

Identifies risks through discussion with the management and management of each business unit of the Group. Risk evaluation questionnaire are used to document the risks identified by the management and management of each business unit of the Group. Comparative industry data analysis are used to make the risk assessment results more objective.

Risk Response

- Categorises the risks into low, medium or high risks;
- Analyses the reasons for the risks; and
- Determines the strategies to handle the risks.

Risk Monitoring and Reporting

- On-going communication of monitoring results with the Board which enables it to assess internal control of the Group and the effectiveness of risk management during the year;
- Risk evaluation questionnaires completed by the management and management of each business unit of the Group; and
- Fact finding report with recommendations on the review and testing of internal control on certain operating cycles and areas.

The Group also strives to keep abreast of and actively monitors the ongoing compliance with the relevant laws and regulations that govern business operations and oversee the implementation of any necessary measures. In addition, the Group provides Directors, Supervisors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance. The Group offers training courses to new employees and continuing training to existing employees to enhance their knowledge and awareness of the relevant rules and regulations. The Group also keeps abreast of the latest regulatory updates and communicate with the relevant regulatory authorities from time to time to discuss the latest regulatory requirements in light of the evolving nature of the business of the Group.

During the Reporting Period, the Audit Committee reviewed the overall effectiveness of the Group's risk management and internal control systems, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, internal auditing and their training programs and budget.

Corporate Governance Report

The Board reviews the Company's risk management and internal control systems annually. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources as well as those relating to the Group's performance and reporting on environmental, social and governance related matters. The Board has received a confirmation from management on the effectiveness of the Company's risk management and internal control systems. The Board, as supported by the Audit Committee as well as the management report, reviewed the risk management and internal control systems, including the financial reporting, operational and compliance control and risk management functions, for the Reporting Period, and considered that an effective and adequate risk management and internal control system is in place to safeguard the assets of the Group and that there were no material internal control deficiencies that may affect the Shareholders.

Whistleblowing Policy and Anti-corruption

The Group fully acknowledges the importance of anti-corruption and whistle-blowing policies to good corporate governance.

Since its inception, the Group has formulated a strict anti-corruption policy which are in compliance with the prevailing anticorruption laws and regulations where its business operations and units are located, which covers aspects such as conflicts of interest, gifts and entertainment, discrimination and sexual harassment, company property, etc. The policy is also developed to strengthen the anti-corruption management and to conduct related trainings for the Board and all employees.

Accordingly, a special e-mail account was set up by the Group for receiving whistleblowing reports, with employees being encouraged to report violations in a secure and confidential manner. In addition, the Company has formed a closed-loop management procedure for reporting and handling from case filing, investigation, report to feedback, and initiated acceptance procedures at corresponding materiality for employees at different levels to ensure that the headquarters and subsidiaries form a unified and concerted effort to effectively combat violations of laws and regulations. The Group treats the information of the whistleblower as strictly confidential and strictly prohibits all acts of discrimination or retaliation, and prevents departments or individuals from obstructing, hampering or interfering with investigations.

AUDITOR'S REMUNERATION

For the year ended 31 December 2024, the total remuneration paid or payable to the Company's auditors, PricewaterhouseCoopers, in respect of audit services and non-audit services is set out below:

Service Category	Fee Paid/Payable RMB'000
Audit Services	3,072
Non-audit Services	
— Corporate advisory services	418
Total	3,490

The Board and the Audit Committee have agreed on the re-appointment of PricewaterhouseCoopers as the external auditor of the Group for the year ending 31 December 2025 and the proposal will be submitted for approval at the annual general meeting to be held on around 16 May 2025.

Corporate Governance Report

COMPANY SECRETARY

All Directors have access to the advice and services of the joint company secretaries on corporate governance and Board practices and matters. The Board approves the selection, appointment or dismissal of the joint company secretaries. The joint company secretaries report to the chairman of the Board on board governance matters.

Mr. Ma Ke (“**Mr. Ma**”) is a joint company secretary of the Company and is responsible for advising the Board on corporate governance and ensuring compliance with policies and procedures of the Board, applicable laws, rules and regulations. In order to maintain satisfactory corporate governance and ensure compliance with the Listing Rules and applicable laws of Hong Kong, the Company also engages an external service provider to provide company secretarial services and Mr. Tso Ping Cheong Brian (“**Mr. Tso**”) has been appointed as one of the joint company secretaries of the Company since the Listing and up to 17 January 2025. Mr. Tso has assisted on the company secretarial matters of the Company and assisted Mr. Ma in fulfilling his role as the joint company secretaries of the Company. Since Mr. Tso is an external service provider, Mr. Luo Wei, the executive Director, would be the person at the Company whom Mr. Tso can contact according to code provision C.6.1 of the CG Code.

For the Reporting Period, Mr. Tso and Mr. Ma had complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

After the Reporting Period, Mr. Tso resigned as one of the joint company secretaries of the Company and Ms. Chan Charmayne was appointed as one of the joint company secretaries of the Company with effect from 17 January 2025.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Directors are aware of the importance of maintaining good relations and communications with the Shareholders and in appropriate circumstances, the investment community at large. The Company believes the effective communication with the Shareholders is essential for enhancing investor relations and investors’ understanding of the Group’s business performance and strategies.

The Company maintains a website at <http://www.hjkj.cn> as a communication platform with Shareholders and investors, where information on the Company’s announcements, financial information and other information are available for public access.

The Company also uses a range of communication tools, such as annual general meetings, annual reports, various notices, announcements and circulars, to ensure the shareholders of the Company are kept well informed of the Group’s key business imperatives.

Furthermore, Shareholders’ meetings provide an opportunity for communication between the Board and the Shareholders. The chairman of the Board should attend the Shareholders’ meeting, in particular, either the chairmen of Board Committees or their delegates, appropriate management executives and external auditors (as the case may be) will be available at the meeting to answer any questions raised by the Shareholders

The Company has also established a shareholders communication policy to ensure the shareholders are provided with timely information about the Company. The policy is regularly reviewed to ensure its effectiveness.

Meanwhile, the Group’s website and official account are also constantly updated to provide investors and the public with the latest information on all aspects of the Group.

The Company shall review the Shareholders’ communication policy annually to ensure its implementation and effectiveness. Having considered the multiple channels of communication and engagement in place, the Board is satisfied that the Shareholders’ communication policy was properly in place during the year ended 31 December 2024 and remains effective.

SHAREHOLDERS' RIGHTS

Procedures for the convening of an EGM by Shareholders and putting forward proposals and procedures

Under the Articles of Association, an EGM may be convened by the Board upon requisition of Shareholders who individually or jointly hold more than 10% of the Company's voting Shares. The Shareholder(s) shall sign one or more written requests of the same format and content requesting the Board to convene an EGM and stating the subject of the meeting. The Board shall, within 10 days after receipt of the aforesaid written request, give a written reply on whether or not it agrees to convene the EGM. The aforesaid number of shares held shall be calculated as at the date of the written request by the Shareholders.

If the Board agrees to convene the EGM, it shall issue a notice of such meeting within 5 days after the resolution is approved by the Board. Any change to the original request made in the notice shall be subject to the approval of the relevant Shareholders. If the Board does not agree to convene the EGM or does not reply within 10 days upon receipt the request, the Shareholders individually or jointly holding more than 10% of the Company's Shares shall have the right to propose to the Supervisory Committee in writing to convene the meeting.

If the Supervisory Committee agrees to convene the EGM, it shall issue a notice of such meeting within 5 days upon receipt of the request. Any change to the original proposal in the notice shall be subject to the approval of the relevant Shareholders. But if the Supervisory Committee fails to issue the notice of the meeting within the specified period, it shall be deemed that the Supervisory Committee does not convene and preside over the general meeting. Shareholders individually or jointly holding more than 10% of the Company's Shares for more than 90 consecutive days may convene a meeting by themselves within 4 months after the Board receives the request. The procedures for convening a meeting shall be the same as those for convening a general meeting by the Board as far as possible.

All reasonable expenses incurred by the Shareholders for convening and holding the meeting by themselves as a result of the failure of the Board to convene the meeting as aforesaid shall be borne by the Company.

Putting Forward Proposals at General Meeting

When the Company convenes a general meeting, Shareholders individually or jointly holding more than 1% of the Company's Shares shall be entitled to put forward proposals to the Company. The contents of the proposals shall fall within the scope of authority of the general meeting, have clear topics and specific resolutions, and comply with laws, regulations and the Articles of Association. Shareholders individually or jointly holding more than 1% of the Company's Shares may submit provisional proposals in writing to the convener 10 days prior to the convening of the general meeting. The convener shall issue a supplementary notice of the general meeting within two days upon receipt of the proposals to notify other Shareholders and submit the provisional proposals to the general meeting for consideration.

Making enquiries to the Board

The Shareholders shall direct their questions about their shareholdings to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

DISCLOSURE OF INSIDE INFORMATION

The Company has developed its disclosure policy to provide a general guide to the Group's Directors, supervisors, officers, senior management and relevant employees on handling confidential information, monitoring of information disclosure and responding to queries, to ensure that information of the Company is disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The Group has executed supervision programs to confirm the strict prohibition from unauthorised access to and use of inside information.

Corporate Governance Report

DIVIDEND POLICY

The Company currently aims to pay a total dividend in respect of each financial year of not less than 30% of its annual distributable profit. The declaration and payment of future dividends will be subject to various factors, including the future earnings and cash inflows, future plan for use of funds, long-term development of the business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which the Directors consider relevant. The Company may declare and pay dividends by way of cash or by other means that it considers appropriate in the future. Distribution of dividends will be decided by the Board at their discretion and will be subject to Shareholders' approval.

In addition, the dividend policy of the Company will also be subject to the Articles of Association, the PRC Company Law, any other applicable PRC laws and regulations. In any event, the Company will pay dividends out of the profit after tax only after it has made the following allocations:

- (1) recovery of accumulated losses, if any;
- (2) allocation to the statutory common reserve fund an amount of no less than 10% of the profit after tax, as determined under PRC GAAP; and
- (3) allocation, if any, to a discretionary common reserve fund an amount approved by the shareholders in a shareholders' meeting.

The Company is a joint stock limited company established in the PRC on 3 September 2010 and the payment and amount of any future dividend will also depend on the availability of dividends received from its subsidiaries of the Group. Payment of dividends is subject to restrictions under PRC laws. Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are the net profit of the Company as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that it is required to make. Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, the operating subsidiaries of the Company may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa.

STAFF DIVERSITY

The Group had a workforce of 849 employees as of 31 December 2024. Among them, approximately 26.0% of the workforce (including senior management) were female, and the male-to-female ratio for all the employees was approximately 2.8:1. Although the Group recognises the importance and benefits of gender diversity in the work environment, the Group requires a higher ratio of male employees due to the nature of the Group's business. The Group will continue to promote diversity through training programs, employee networks, equitable hiring and recruitment practices.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, there are no significant changes to the constitutional documents of the Company.

After the Reporting Period, the Board proposed to make certain amendments to the Articles of Association for the purpose of (i) consolidating and removing scope of business without actual operations in the business objectives and scope clause of the Articles of Association to more succinctly reflect the actual operations of the Company, and certain housekeeping and amendments, (ii) to reflect the current share capital structure of the Company, following the conversion of all unlisted Domestic Shares into H Shares on 2 September 2024 and completion of the full circulation of H Shares on Stock Exchange, and (iii) to bring the Articles of Association in line with the revised PRC Company Law, which became effective from 1 July 2024 (the “**Proposed Amendments**”). The details of the Proposed Amendments are set out in the Appendix of the circular dated 18 February 2025.

The special resolution in relation to the Proposed Amendment was passed by the Shareholders at the EGM held on 6 March 2025. An up-to-date consolidated version of the Company’s constitutional documents has been posted on the respective websites of the Stock Exchange and the Company.

PUBLICATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Disclosures relating to the material Environmental, Social and Governance issues identified for the Reporting Period will be included in the Environmental, Social and Governance Report pursuant to the requirements of Appendix C2 to the Listing Rules to be published separately. The Environmental, Social and Governance Report will be available on the Company’s website at <http://www.hjkj.cn> under the “Investor Relations” section; and the Stock Exchange’s website at www.hkexnews.hk at the same time as the publication of this annual report.

Independent Auditor's Report

To the Shareholders of Wise Living Technology Co., Ltd

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

OPINION

What we have audited

The consolidated financial statements of Wise Living Technology Co., Ltd (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 87 to 174, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(Continued)*

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment for non-financial assets related to Shuozhou City Renewable Energy Thermal Company Limited (“**Shuozhou Renewable Energy**”)
- Revenue recognition of price subsidies from a local government

Key Audit Matter

Impairment assessment for non-financial assets related to Shuozhou Renewable Energy

Refer to Notes 4(c), 17(b) and 17(e)(iii) to the consolidated financial statements.

As at 31 December 2024, the carrying value of non-financial assets of Shuozhou Renewable Energy, a subsidiary of the Company, primarily comprised of an intangible asset in relation to the operating concession right amounted to approximately RMB738.2 million, representing approximately 12.4% of the Group's total assets.

For year-end reporting, management assessed that an impairment indicator existed for the non-financial assets of Shuozhou Renewable Energy as it was operating at a loss during the year. Accordingly, management performed an impairment test of the related assets with the assistance of an independent valuer.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment included:

- understood and evaluated the Group's internal control and process over impairment assessment of its non-financial assets, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias;
- assessed the appropriateness of the methodology and discounted cash flow model used by management in determining the recoverable amount of the non-financial assets of Shuozhou Renewable Energy with the assistance of our internal valuation expert;
- compared current year actual financial results of Shuozhou Renewable Energy with prior year forecast to assess the quality of management's historical forecast;
- evaluated the competence, capabilities and objectivity of the external valuer engaged by the Group by considering their professional qualification, experience and relationship with the Group;

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key Audit Matter

Impairment assessment for non-financial assets related to Shuozhou Renewable Energy (continued)

For the purposes of the impairment test, the recoverable amount of the non-financial assets under the cash-generating unit ("CGU") of Shuozhou Renewable Energy was determined based on a value-in-use calculation which requires significant management's judgements and estimates. The calculation involves the use of discounted cash flow model, data input as derived from the financial forecasts prepared by management covering the remaining service concession period under the relevant concession agreement and also a number of key assumptions, including revenue growth rate, net profit margin and pre-tax discount rate.

The result of the impairment test indicates that the recoverable amount exceeded the carrying amount of the CGU.

We focused on this area in view of the magnitude of the non-financial assets of Shuozhou Renewable Energy and the impairment assessment involved the use of significant management's judgements and estimates as described above.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment included (continued):

- involved our internal valuation expert to critically assess the discount rate used in the assessment by reviewing relevant parameters and calculations and performing an independent cross-checking with comparable companies;
- challenged the reasonableness and integrity of the data input and key assumptions including revenue growth rate and net profit margin in the calculation based on our understanding of the business and its development plan and other supporting evidence such as approved budget and results of our independent market research as relevant;
- checked mathematical accuracy of the value-in-use calculation; and
- evaluated the sensitivity analysis performed by management around the key assumptions regarding the extent and likelihood of such changes.

Based on the procedures performed, we found management's judgements and estimates applied in the impairment assessment were supportable by the evidence we obtained.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter

Revenue recognition of price subsidies from a local government

Refer to Notes 4(b), 5(a) and 5(c) to the consolidated financial statements.

For the year ended 31 December 2024, the revenue from the provision and distribution of heat included price subsidies from a local government amounted to approximately RMB179.9 million.

The price subsidies, as determined by the relevant concession agreements, are calculated based on a specific formula pursuant to a notice issued to the Group by the local government and recognised as revenue on a straight-line basis over the annual heat service period as scheduled by the local government.

Significant judgments are required in management's estimation of the amount of price subsidies receivable from local government at each reporting date during the relevant annual heat service period generally from October in a financial year to April in the next financial year. These include but not limited to the estimation of total relevant heat service costs and total heat service area, which are the main variables used in determining the amount of price subsidies, based on the latest information available to management and the results of historical assessments conducted by the relevant government authorities to determine the final price subsidies. The final amount of price subsidies to be confirmed by the local governmental subsequent to the end of the annual heat service period may differ from management's estimation which may result in adjustments to revenue in the corresponding period when the necessary revision becomes known to management.

How our audit addressed the Key Audit Matter

Our procedures in relation to the revenue recognition of price subsidies included:

- understood and evaluated the Group's internal control and process over the estimation of price subsidies, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias;
- performed retrospective review of the historical estimation against the final assessments confirmed by the relevant governmental authorities regarding (i) the final amount of price subsidies for the prior heat service period received by the Group in the current year, and (ii) the nature of heat service costs and heat service area eligible for the calculation when evaluating the reasonableness of management's estimation of price subsidies for the current year;
- performed testing on management's current year estimation of the total relevant heat service costs and total heat service area, and also subsequent monitoring and revision of the estimations by performing the following:
 - (i) compared the actual relevant heat service costs incurred to-date against the initial estimation and checked to supporting documents, such as purchase agreements, supplier invoices and payment records, on a sample basis;
 - (ii) reviewed the estimated relevant heat service costs for the remaining annual heat service period after year end by comparing the budget items against historical experience and/or other supporting documents, such as purchase agreements and supplier quotations, on a sample basis;
 - (iii) checked the heat service area by inspecting the supporting documents on a sample basis, such as measurement reports issued by third party surveyors; and

Independent Auditor's Report

Key Audit Matter

Revenue recognition of price subsidies from a local government *(continued)*

Given the involvement of a high degree of management's judgements and estimates in determining the amount of revenue from price subsidies which is significant to the consolidated financial statements, we considered this is a key audit matter.

How our audit addressed the Key Audit Matter

Our procedures in relation to the revenue recognition of price subsidies included *(continued)*:

- checked mathematical accuracy of management's price subsidies calculation for revenue recognition based on the local government's prescribed formula and variables including the abovementioned heat service costs and heat service area as estimated.

Based on the procedures performed, we found management's judgements and estimates applied in determining the revenue from price subsidies were supportable by the evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Wise Living Technology Co., Ltd 2024 Annual Report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the Report of the Directors and Chairman's Statement prior to the date of this auditor's report. The remaining other information, including Financial Performance Highlights, Management Discussion and Analysis, Report of the Supervisory Committee, Environmental, Social and Governance Report and the other sections to be included in the annual report, is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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.
- 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 opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 identify during our audit.

We also provide the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Chan Wai Ching.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 21 March 2025

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December	
		2024 RMB'000	2023 RMB'000
Revenue	5	1,648,287	1,534,035
Cost of sales	8	(1,189,033)	(1,139,869)
Gross profit		459,254	394,166
Administrative expenses	8	(167,350)	(175,157)
(Provision for)/reversal of impairment losses on financial assets and contract assets	3.1(b)	(24,934)	11,980
Other income	6	36,940	73,041
Other losses — net	7	(6,198)	(5,112)
Operating profit		297,712	298,918
Finance income	10	18,522	18,231
Finance costs	10	(43,743)	(50,373)
Finance costs — net	10	(25,221)	(32,142)
Share of profit of associates accounted for using the equity method	13	16,100	15,374
Profit before income tax		288,591	282,150
Income tax expense	11	(51,172)	(55,316)
Profit and total comprehensive income for the year		237,419	226,834
Profit and total comprehensive income attributable to:			
— Owners of the Company		164,154	148,980
— Non-controlling interests		73,265	77,854
		237,419	226,834
Earnings per share (expressed in RMB per share)			
— Basic and diluted	12	0.54	0.57

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

	Note	As at 31 December	
		2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	189,561	195,834
Investment properties	15	373,179	344,197
Right-of-use assets	16	23,596	26,724
Intangible assets	17	3,600,255	3,520,839
Investments accounted for using the equity method	13	126,232	110,132
Trade receivables	19	71,576	87,874
Prepayments and other receivables	20	27,013	31,870
Deferred income tax assets	32(a)	85,268	67,603
		4,496,680	4,385,073
Current assets			
Inventories	21	33,038	36,871
Trade receivables	19	575,834	472,690
Prepayments and other receivables	20	129,259	102,681
Financial asset at fair value through profit or loss	22	12,002	—
Restricted cash	23	74,175	86,468
Cash and cash equivalents	23	645,680	713,175
		1,469,988	1,411,885
Total assets		5,966,668	5,796,958
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	24	301,600	301,600
Other reserves	25	391,499	354,800
Retained earnings	26	481,623	399,408
		1,174,722	1,055,808
Non-controlling interests	36	254,126	243,197
Total equity		1,428,848	1,299,005

Consolidated Statement of Financial Position

	Note	As at 31 December	
		2024 RMB'000	2023 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	28	427,033	588,430
Other payables	27	29,442	62,985
Contract liabilities	29	1,980,399	1,915,126
Lease liabilities	31	14,739	17,451
Deferred income	30	111,316	89,719
Deferred income tax liabilities	32(b)	23,616	26,406
Provision	34	38,113	31,298
		2,624,658	2,731,415
Current liabilities			
Borrowings	28	299,705	131,380
Trade and other payables	27	975,960	1,043,407
Contract liabilities	29	571,598	539,480
Lease liabilities	31	2,808	164
Current income tax liabilities		63,091	52,107
		1,913,162	1,766,538
Total liabilities		4,537,820	4,497,953
Total equity and liabilities		5,966,668	5,796,958

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 87 to 174 were approved by the Board of Directors on 21 March 2025 and were signed on its behalf.

Li Baoshan
Director

Luo Wei
Director

Consolidated Statement of Changes in Equity

	Note	Attributable to owners of the Company			Total	Non-controlling interests	Total equity
		Share capital	Other reserves	Retained earnings			
		RMB'000 (Note 24)	RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023		226,000	200,114	301,003	727,117	195,445	922,562
Comprehensive income							
Profit for the year		—	—	148,980	148,980	77,854	226,834
Total comprehensive income for the year		—	—	148,980	148,980	77,854	226,834
Transactions with owners							
Shares issued pursuant to the Initial Public Offering	24, 25	75,600	104,217	—	179,817	—	179,817
Appropriation to statutory reserves	25, 26	—	50,575	(50,575)	—	—	—
Dividends	33, 36	—	—	—	—	(30,000)	(30,000)
Others	13	—	(106)	—	(106)	(102)	(208)
Total transactions with owners		75,600	154,686	(50,575)	179,711	(30,102)	149,609
Balance at 31 December 2023		301,600	354,800	399,408	1,055,808	243,197	1,299,005
Balance at 1 January 2024		301,600	354,800	399,408	1,055,808	243,197	1,299,005
Comprehensive income							
Profit for the year		—	—	164,154	164,154	73,265	237,419
Total comprehensive income for the year		—	—	164,154	164,154	73,265	237,419
Transactions with owners							
Capital injection		—	—	—	—	10,000	10,000
Deregistration of a subsidiary		—	—	—	—	(836)	(836)
Appropriation to statutory reserves	25, 26	—	36,699	(36,699)	—	—	—
Dividends	33, 36	—	—	(45,240)	(45,240)	(71,500)	(116,740)
Total transactions with owners		—	36,699	(81,939)	(45,240)	(62,336)	(107,576)
Balance at 31 December 2024		301,600	391,499	481,623	1,174,722	254,126	1,428,848

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

		Year ended 31 December	
		2024	2023
		RMB'000	RMB'000
	Note		
Cash flows from operating activities			
Cash generated from operations	35(a)	427,440	736,814
Income tax paid		(58,639)	(61,893)
Net cash generated from operating activities		368,801	674,921
Cash flows from investing activities			
Purchases of property, plant and equipment		(9,522)	(21,279)
Disposal of property, plant and equipment		236	4,383
Proceeds from finance lease of plant and equipment to a related party		4,197	—
Purchases of intangible assets		(356,744)	(292,734)
Repayment from financing arrangements with a third party (including repayments of principal and interest)		31,213	36,175
Purchase of financial assets at fair value through profit or loss	3.3(a)	(12,000)	—
Government grants received in relation to purchase of intangible assets	30	36,117	22,000
Interest received on bank deposits		7,502	5,198
Net cash used in investing activities		(299,001)	(246,257)
Cash flows from financing activities			
Shares issued pursuant to the Initial Public Offering		—	238,844
Capital injection from non-controlling shareholders of subsidiaries		10,000	—
Payments for listing expenses		—	(23,623)
Proceeds from borrowings	35(c)	317,694	220,346
Repayment of borrowings	35(c)	(310,766)	(381,750)
Payments for lease liabilities	31, 35(c)	(468)	(3,893)
Installment payment for acquisition of intangible assets	35(c)	(30,553)	(44,870)
Dividends paid to the owners of the Company	33, 35(c)	(45,240)	—
Dividends paid to non-controlling shareholders of subsidiaries	35(c), 36	(35,220)	(60,778)
Restricted cash for guarantee deposits paid for bank borrowings		—	11,100
Repayment of loans from government	35(c)	—	(813)
Deregistration of a subsidiary		(925)	—
Interest paid on lease liabilities	31, 35(c)	(1,134)	(1,251)
Interest paid on installment payable for acquisition of intangible assets	35(c)	(5,135)	(2,987)
Interest paid on borrowings	35(c)	(35,548)	(43,882)
Net cash used in financing activities		(137,295)	(93,557)
Net (decrease)/increase in cash and cash equivalents		(67,495)	335,107
Cash and cash equivalents at beginning of the year		713,175	378,068
Cash and cash equivalents at end of the year		645,680	713,175

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was established in the People's Republic of China (the “**PRC**”) on 3 September 2010. The address of its registered office is Room 202, 2/F, No.15 of Shuangliang Road, Ligang Sub-district, Jiangyin City, Jiangsu Province, the PRC.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the heat supply (including provision and distribution of heat and pipeline connection services), engineering construction services, design services and energy management services in the PRC. The Company's H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**the Stock Exchange**”) on 10 July 2023.

The ultimate holding company of the Company is Jiangsu Shuangliang Technology Company Limited (江蘇雙良科技有限公司) (“**Shuangliang Technology**”), which is a private-owned company established in Jiangsu Province, the PRC.

These consolidated financial statements are presented in thousands of unit of Renminbi (RMB'000), unless otherwise stated.

2 BASIC OF PREPARATION

2.1 Compliance with IFRS Accounting Standards and Hong Kong Companies Ordinance (“**HKCO**”)

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards and related interpretations issued by the International Accounting Standards Board (the “**IASB**”), and requirements of the Hong Kong Companies Ordinance Cap. 622.

IFRS comprise the following authoritative literature:

- IFRS Accounting Standards
- International Accounting Standards
- Interpretations developed by the International Financial Reporting Interpretations Committee

2.2 Historical cost convention

The consolidated financial statements has been prepared under the historical cost convention, as modified by the investment properties and financial assets at fair value through profit or loss, which are carried at fair value.

2.3 Going concern

As at 31 December 2024, the Group had net current liabilities of RMB443,174,000. The net current liabilities included contract liabilities amounted to RMB571,598,000 which represented the advance receipts from customers in relation to heat supply and pipeline connection fees. Such contract liabilities will normally be recognised as revenue in subsequent years and will not involve cash outflow in the future. Meanwhile, the Group's total borrowings as at 31 December 2024 amounted to RMB726,738,000 of which RMB299,705,000 are classified as current liabilities, while its cash and cash equivalents amounted to RMB645,680,000 as at the same date.

Notes to the Consolidated Financial Statements

2 BASIC OF PREPARATION *(Continued)*

2.3 Going concern *(Continued)*

Management closely monitors the Group's financial performance and liquidity position. The cash inflow generated from the Group's operating activities for the year ended 31 December 2024 amounted to RMB368,801,000. The Group also planned its capital expenditure activities in a conservative manner to avoid an excessively high liquidity risk exposure. In addition, management proactively managed the financing structure of the Group and was able to renew the short-term borrowings and raise new borrowings during the year ended 31 December 2024 as necessary.

As at 31 December 2024, the Group had unused banking facilities amounting to RMB461,810,000, of which RMB320,343,000 is available to the Group up to June 2026, and the remaining RMB141,467,000 is available to the Group up to December 2030.

Based on the above, the Directors are of the opinion that the Group will have sufficient financial resources to support its operations and to meet its financial obligations as and when they fall due in at least the coming twelve months from 31 December 2024. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2.4 New accounting standards and accounting changes

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2024. The adoption of these new standards and amendments did not have any impact on the amounts recognised in prior and current periods and are not expected to significantly affect the future periods.

		Effective for annual periods beginning on or after
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
IAS 7 (Amendments) and IFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024

2.5 New and amended standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the financial reporting periods commencing on or after 1 January 2024 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
IFRS 9 (Amendments) and IFRS 7 (Amendments)	Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability Disclosures	1 January 2027

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

The principal activities of the Group are operated in the PRC. The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group that are denominated in the currencies other than the respective functional currencies of the Group's entities, other than the assets denominated in Hong Kong dollars ("HKD" or "HK\$") as described below. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the year ended 31 December 2024 (2023: same).

The following table shows the Group's monetary assets and liabilities (in RMB equivalent) that are denominated in foreign currencies other than the functional currencies of respective group entities:

Currency denomination	Assets		Liabilities	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
HKD	67,292	165,298	—	—

If RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, profit before income tax for the year ended 31 December 2024 would have been RMB3,364,600 higher/lower (2023: RMB8,265,000 higher/lower).

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk primarily arises from interest-bearing cash and cash equivalents, restricted cash, borrowings and lease liabilities. Cash and cash equivalents and borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings and lease liabilities issued at fixed rates expose the Group to fair value interest-rate risk.

The Group closely monitors the trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements for managing the interest rate risk.

As at 31 December 2024, borrowings of the Group which were bearing at floating rates amounted to RMB431,278,000 (2023: RMB411,899,000). As at 31 December 2024, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged, the finance costs of the Group would increase/decrease by approximately RMB2,156,000 (2023: RMB2,059,000).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade receivables (including lease receivables), contract assets and other receivables.

(i) Risk management

For cash and cash equivalents and restricted cash, management manages the credit risk by placing deposits or investments in state-owned financial institutions in the PRC, or reputable banks and financial institutions in the PRC having high credit quality.

The customers of the Group include individual customers, government customers and corporate customers. For individual customers, the Group has no significant concentrations of credit risk. For government customers, the Group assessed that the related credit risk is low. For corporate customers, the Group assessed the credit quality of the counterparties by taking into account their financial position, repayment history and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables to ensure that appropriate impairment losses are recognised for those irrecoverable amounts.

The carrying amounts of trade receivables, other receivables and deposits, restricted cash and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

(ii) Impairment of financial assets

While cash and cash equivalents, restricted cash and notes receivable are also subject to the impairment requirements of IFRS 9, the identified expected credit loss was immaterial as management considers that the counterparties are reputable banks and financial institutions with high credit ratings. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future. Therefore, expected credit loss rate is assessed to be close to zero and no provision was made.

The Group also has the following three types of financial assets that are subject to the expected credit loss model:

- Trade receivables (excluding notes receivable)
- Contract assets
- Other receivables

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (excluding notes receivable) and contract assets

The Group applies the IFRS 9 simplified approach to measure the expected credit losses (“ECL”), which uses a lifetime expected loss provision for all trade receivables and contract assets. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Consumer Price Index, Industry Value Added and new RMB loans where the Group operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on the expected changes in these factors.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and aging. The Group also made individual assessment on the recoverability of its receivables for certain customer based on historical settlement record.

Set out below is the information about credit risk exposure on the Group’s trade receivables (excluding notes receivable) and contract assets using provision matrix:

Customers (excluding those analysed further in this section) — assessed on a collective basis

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Trade receivables					
At 31 December 2023					
Expected loss rate	2.87%	10.72%	34.10%	89.42%	
Gross carrying amount (RMB'000)	174,210	69,993	11,703	14,981	270,887
Loss allowance provision (RMB'000)	4,995	7,506	3,991	13,396	29,888
At 31 December 2024					
Expected loss rate	5.61%	14.93%	38.04%	92.45%	
Gross carrying amount (RMB'000)	182,544	120,156	35,543	24,040	362,283
Loss allowance provision (RMB'000)	10,240	17,944	13,522	22,224	63,930

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Non-government customers (excluding energy management services) — assessed individually

Trade receivables

At 31 December 2023

Expected loss rate	100.00%
Gross carrying amount (RMB'000)	9,580
Loss allowance provision (RMB'000)	9,580
	<hr/>

At 31 December 2024

Expected loss rate	2.66%
Gross carrying amount (RMB'000)	16,027
Loss allowance provision (RMB'000)	427
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The Group individually assessed the recoverability of the balances with certain non-government customers as at 31 December 2024 as significant increase in credit risk were identified in previous years (2023: same).

Government customer in relation to price subsidy and entrusted heat supply operation service — assessed individually

Trade receivables

At 31 December 2023

Expected loss rate	0.18%
Gross carrying amount (RMB'000)	230,795
Loss allowance provision (RMB'000)	423
	<hr/>

At 31 December 2024

Expected loss rate	2.13%
Gross carrying amount (RMB'000)	248,329
Loss allowance provision (RMB'000)	5,282
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Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Energy management services customers — assessed individually

Trade receivables

At 31 December 2023

Expected loss rate	29.16%
Gross carrying amount — trade receivables (RMB'000)	—
Gross carrying amount — lease receivables (RMB'000)	124,050
Loss allowance provision (RMB'000)	36,176

At 31 December 2024

Expected loss rate	19.62%
Gross carrying amount — trade receivables (RMB'000)	—
Gross carrying amount — lease receivables (RMB'000)	112,480
Loss allowance provision (RMB'000)	22,070

The movement in loss allowance provision for trade receivables and contract assets for the year is as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
At the beginning of the year	76,067	90,645
Provision for/(reversal of) loss allowance recognised in profit or loss	24,867	(14,578)
Write-off of uncollectible receivables	(9,225)	—
At the end of the year	91,709	76,067

During the year ended 31 December 2024, the provision of loss allowances were recognised in profit or loss in “Provision for impairment losses on financial assets and contract assets” which was net of any recovery of trade receivables and contract assets provided previously.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery, amongst others, include the failure of a debtor to engage in a repayment plan with the Group.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other receivables

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated.

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations ;
- actual or expected significant changes in the operating results of the debtor ;
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of the debtors.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

The nature of other receivables and deposits (excluding prepayments) are set out in Note 20. Management considered these receivables and deposits to be of low credit risk and thus the loss allowance provision recognised was limited to 12 months expected losses.

The movement in loss allowance provision for other receivables and deposits (excluding prepayments) for the year is as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
At the beginning of the year	7,617	5,019
Provision for loss allowance recognised in profit or loss	67	2,598
At the end of the year	<u>7,684</u>	<u>7,617</u>

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. The Group expects to fund the future cash flow needs through internally generated cash flows from operations and available banking facilities.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the reporting date to the earliest date the lenders can demand for repayment. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2023					
Lease liabilities	1,302	3,739	10,348	6,763	22,152
Borrowings	163,206	191,991	342,650	128,676	826,523
Trade and other payables excluding non-financial liabilities	982,787	36,730	29,690	1,475	1,050,682
Total	1,147,295	232,460	382,688	136,914	1,899,357
As at 31 December 2024					
Lease liabilities	3,779	3,616	9,911	3,635	20,941
Borrowings	328,198	144,390	272,944	65,111	810,643
Trade and other payables excluding non-financial liabilities	913,416	26,740	25,985	—	966,141
Total	1,245,393	174,746	308,840	68,746	1,797,725

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt or draw down more borrowings as and when necessary.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statements of financial position.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management (Continued)

The gearing ratio at the end of the year is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Borrowings	726,738	719,810
Lease liabilities	17,547	17,615
Loans from government	22,981	22,517
Amounts advanced from a related party (Note 38 (e))	—	700
Less: Cash and cash equivalents	(645,680)	(713,175)
	121,586	47,467
Net debt	121,586	47,467
	1,428,848	1,299,005
Total equity	1,428,848	1,299,005
	9%	4%
Gearing ratio	9%	4%

The gearing ratio increased from 4% to 9% as at 31 December 2024 mainly because of the increase in the Group's borrowings and the reduction in cash and cash equivalents.

3.3 Fair value estimation

(a) Financial assets

The Group made judgements and estimates in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets (Continued)

As at 31 December 2024, the Group had financial instruments measured at fair value through profit or loss, RMB12,002,000 (2023: Nil).

The following table presents the changes in level 2 financial instruments during the year.

	Financial assets at fair value through profit or loss Wealth management products Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
At beginning of the year	—	—
Additions	12,000	—
Gains recognised in profit or loss	2	—
At end of the year	12,002	—

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Level 2 instruments of the Group's assets represented short-term investment in wealth management product measured at fair value through profit or loss.

(b) Non-financial assets

Please refer to Note 15 for the fair value estimation of the investment properties of the Group.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Service concession arrangements

In determining whether the heat supply facilities fall into the scope of International Financial Reporting Interpretations Committee 12 (the "IFRIC 12") "Service Concession Arrangements", the Group applied judgements, including (i) whether the Grantors control or regulate the services the Group must provide with the infrastructure, to whom it must provide them, and at what price; (ii) whether the Grantors control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure asset at the end of the terms of the arrangements.

According to the relevant service concession agreements, competitive modes, such as public biddings, are adopted at the expiry of the service concession arrangements to re-select the concession grantee and the Group has preferential rights to renew its concession rights if the Group provides to the Grantors the same offer as other potential competitors. In the opinion of the Directors, the Group is not able to control the renewal of the concession agreements as an open tender is required by law and the result of such open tender is uncertain. Thus, the Directors exercise significant judgement and account for the Group's infrastructure under IFRIC 12 "Service Concession Arrangements" rather than under IAS 16 "Property, Plant and Equipment".

The fair value of the construction services under the concession arrangements is calculated as the estimated total construction costs plus a profit margin as 13.67% in 2024 (2023: 10.95%). The profit margin was determined by the management with reference to the report issued by independent valuer, based on the prevailing market rates applicable to similar construction services. Revenue relating to construction services is accounted for in accordance with the accounting policy in Note 5(c).

(b) Revenue recognition of price subsidies from local government

The Group recognises price subsidies from local government as revenue for the provision of heat over the scheduled period as described in Note 5(c)(i).

Significant judgments are required in management's estimation of the amount of price subsidies receivable from local government at each reporting date during the relevant heat service period from October to April. These include but not limited to the estimation of total eligible heat service costs and total heat service area, which are variables used in determining the amount of price subsidies, based on the latest information available to management and the results of historical assessments conducted by the relevant government authorities to determine the final price subsidies.

Management regularly reviews and revises the estimated amount of price subsidies when circumstances change. The final amount of price subsidies confirmed by local government may differ from management's estimation. Any increases or decreases in the estimated amount of price subsidies may result in adjustments to revenue recognised in the period in which the circumstances that give rise to the revision becomes known to management.

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) Impairment assessment of non-financial assets

The carrying value of non-financial assets are reviewed for impairment annually or when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in Note 17(e)(iii). The recoverable amount for impairment assessment is determined using the value-in-use, which involves significant estimates. Estimating the value-in-use requires the Group to make estimates for future cash flows and to determine appropriate discount rates and other assumptions as disclosed in Note 17. A change in such estimates will result in an adjustment to the estimated impairment provision.

(d) Useful lives of the property, plant and equipment

The Group depreciates the property, plant and equipment in accordance with the accounting policies as set out in Note 43.6. The estimated useful lives reflect the Director's estimates of the periods that the Group intends to derive future economic benefits from the use of these assets.

(e) Expected credit loss for receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables, and the impairment losses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1(b) above.

(f) Current tax and deferred income tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets and liabilities are determined using tax rates that are expected to apply when the related deferred income tax assets are realised or the deferred income tax liabilities are settled. The expected applicable tax rate is determined based on the enacted tax laws and regulations and the actual situation of the Group. The management of the Group will revise the expectation where the applicable tax rate is different from the original expectation.

Deferred income tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to offset against the temporary differences and tax losses. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets in the period in which such estimates have been changed.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue from contract with customers

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Revenue from contract with customers:		
– Provision and distribution of heat	1,190,971	1,103,360
– Consideration from customers	1,011,118	922,431
– Price subsidies from local government	179,853	180,929
– Engineering construction services	322,167	292,800
– Pipeline connection fees	106,360	98,665
– Sale of goods	6,025	16,799
– Heat transmission services	4,385	4,506
– Designing services	5,538	4,259
– Energy management services	2,480	2,480
– Others	10,361	11,166
	1,648,287	1,534,035
Timing of revenue recognition:		
– At a point in time	18,116	31,002
– Over time	1,630,171	1,503,033
	1,648,287	1,534,035

Management considered the determination of operating segments based on the reports reviewed by the CODM.

The Group is principally engaged in the heat supply and related services in the PRC. The CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM regards that there is only one segment and reviews the consolidated financial information of the Group accordingly.

The major operating entities of the Group are domiciled in the PRC. All of the Group's revenues are derived in the PRC.

As at 31 December 2024, all of the non-current assets were located in the PRC or arisen from transactions as conducted in the PRC (2023: same).

Revenue from customers contributing over 10% of the Group's total revenue is as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Customer 1	247,022	214,759

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Assets related to contracts with customers

Unsatisfied long-term service contract

The following table shows unsatisfied performance obligations resulting from fixed-price long-term energy management services contracts:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term energy management services contracts that are partially or fully unsatisfied		
— within one year	2,480	2,480
— over one year	21,332	23,812
	23,812	26,292

(c) Accounting policies of revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. This may be at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- when the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- when the Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

If none of the above conditions are met, the Group recognises revenue at a point in time at which the performance obligation is satisfied for the sale of that good or service when control has been passed.

If control of the product or service is transferred over time, revenue is recognised over the period of the contract by measuring the progress towards complete satisfaction of that performance obligation.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in the separate financing transaction between the Group and the customer at contract inception.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) Accounting policies of revenue recognition *(Continued)*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent). The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer.

When the Group acts as a principal, it recognises revenue in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred. When the Group acts as an agent, it recognises revenue in the amount of any fees or commission to which it expects to be entitled in the exchange for arranging for the specified goods or services to be provided by the other party.

(i) **Provision and distribution of heat (including price subsidies from government)**

Revenue from the provision and distribution of heat is recognised on a straight-line basis over the period when heat is provided to customers because the customers simultaneously receive and consume the benefits provided by the Group. The revenue is measured by reference to the proportion of the number of days of provision of heat to the total number of days of the scheduled period as regulated by the local government.

In certain region, the Group provides heat and charges users at prices substantially lower than those in certain nearby regions and the local government of that region gives price subsidies to the Group. The Group has assessed that such price subsidies, as determined by the relevant concession agreement and a specific formula pursuant to a notice issued to the Group by the local government, are in substance compensations for the Group's revenue due to the lower heat rates and the Group has contractual rights to receive such price subsidies in a recurring rather than an incidental manner. Therefore, the price subsidies receivable from the local government of that region are recognised as revenue over the scheduled period where there is a reasonable assurance that the price subsidies will be received.

(ii) **Engineering construction services**

The Group provides engineering construction services under service concession arrangements and contracts of construction services signed with other parties. Revenue from engineering construction services is recognised over time by measuring the progress towards complete satisfaction of the services. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligations, by reference to the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

Revenue from the construction services under service concession arrangements is estimated on a cost-plus basis with reference to prevailing market rate of gross margin that similar construction services are rendered by other comparable companies.

(iii) **Pipeline connection fees**

The Group receives pipeline connection fees from customers for building the main heat pipelines and connect with the customers' residential households. The pipeline connection fees received from customers is non-refundable and is to facilitate the future service of provision of heat. Revenue from pipeline connection fees is recognised on a straight-line basis over the applicable Operation Period.

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

(c) Accounting policies of revenue recognition (Continued)

(iv) Heat transmission services

Revenue from the provision of the heat transmission service is recognised at the point in time when control of heat is transferred to the customers.

(v) Sale of goods

The Group sells heat exchange facilities, meters and other heat supply related equipment to its customers. Revenue from sale of goods is recognised at the point in time when the control of the product is transferred to the customer which generally coincides with delivery and acceptance of the goods sold.

(vi) Energy management services

The Group provides energy management services to a corporate customer by helping it to save energy for its heat supply facilities. Revenue from energy management services is recognised over the period when the service is rendered.

(vii) Designing services

Revenue from designing services rendered, including designing, consulting and feasibility studies with respect to the heat supply projects, is recognised at the point in time when the customers are satisfied with the designing results delivered by the Group.

6 OTHER INCOME

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Compensation income	—	32,110
Government grants (a)	21,090	26,914
Rental income	15,850	14,017
	36,940	73,041

- (a) There are no unfulfilled conditions or other contingencies attaching to these government grants. They were primarily in respect of the Group's heat service operation, subsidizing the Group's purchase/construction of heat service facilities or subsidising for losses of the Group's heat service projects. Government grants are not recurring in nature, there are no specific formulae for the determination of the government grants, they were determined by the local government on an incidental basis, and they are not directly related to heat rates. The types of government grants may differ each year and the income are recognised when they are received.

Notes to the Consolidated Financial Statements

7 OTHER LOSSES – NET

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Fair value losses of investment properties (Note 15)	(12,292)	(3,980)
Net foreign exchange gains/(losses)	3,791	(2,885)
Gains on extinguishment of account receivables	2,043	—
Others	260	1,753
	(6,198)	(5,112)

8 EXPENSES BY NATURE

Expenses included in cost of sales and administrative expenses are analysed below:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Costs for purchases of heat	405,912	394,874
Construction costs	281,555	270,544
Amortisation of intangible assets (Note 17)	210,147	200,713
Materials consumed	117,364	113,463
Employee benefit expenses (Note 9)	105,228	101,458
Utility costs	95,526	81,138
Maintenance expenses	23,128	18,033
Depreciation of property, plant and equipment (Note 14)	17,882	17,352
Entertainment expenses	11,938	13,736
Travelling expenses	8,800	8,729
Other taxes and surcharges	7,113	8,132
Consulting and professional service fees	4,896	5,606
Cost of goods sold	4,545	9,177
Listing expenses	—	3,819
Depreciation of right-of-use assets (Note 16)	3,140	3,483
Auditor's remuneration		
— Audit services	3,072	3,302
— Non-audit services	418	810
Office expenses	2,311	1,967
Short-term lease expenses (Note 31)	832	1,536
Others	52,576	57,154
	1,356,383	1,315,026

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Wages and bonuses	82,728	79,318
Pension costs — defined contribution plans	8,320	8,209
Other post-employment benefits	8,480	8,139
Other social security costs	5,700	5,792
	105,228	101,458

(a) Pensions — defined contribution plans

No forfeited contributions were available and utilised by the Group to reduce its future pension contributions for the year ended 31 December 2024 (2023: nil).

(b) Five highest paid individuals

For the year ended 31 December 2024, the five individuals whose emoluments were the highest in the Group included 3 directors (2023: 2 directors and 1 supervisor), whose emoluments are reflected in the analysis shown in Note 9(c), while the emoluments payable to the remaining 2 (2023: 2) highest paid individuals are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	293	375
Contribution to pension scheme	47	42
Discretionary bonuses	1,720	1,609
	2,060	2,026

The emoluments fell within the following bands:

	Year ended 31 December	
	2024	2023
Emolument bands (HKD)		
Nil–1,000,000	1	—
1,000,001–2,000,000	1	2

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(c) Directors' emoluments

Year ended 31 December 2024	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowance and benefits in kind RMB'000	Total RMB'000
Executive directors					
Li Baoshan (李寶山) (Note (iii))	—	517	2,162	39	2,718
Geng Ming (耿鳴) (Note (ii))	—	600	1,727	26	2,353
Luo Wei (羅偉)	—	192	600	105	897
Non-executive directors					
Miao Wenbin (繆文彬)	—	—	—	—	—
Ma Fulin (馬福林)	—	—	—	—	—
Xu Lijie (許麗潔)	—	—	—	—	—
Cheung Ho Kong (張浩剛)	219	—	—	—	219
Tse Hiu Tung, Sheldon (謝曉東)	219	—	—	—	219
Zhu Qing (朱青)	219	—	—	—	219
Supervisors					
Ma Pelin (馬培林)	—	—	—	—	—
Liu Zhigang (劉志剛) (Note (iv))	—	254	760	86	1,100
Wang Shuai (王帥) (Note (v))	—	164	280	48	492
Chen Zhen (陳振)	—	—	—	—	—
	657	1,727	5,529	304	8,217

Year ended 31 December 2023	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowance and benefits in kind RMB'000	Total RMB'000
Executive directors					
Li Baoshan (李寶山)	—	516	2,157	39	2,712
Geng Ming (耿鳴)	—	600	1,745	99	2,444
Luo Wei (羅偉)	—	192	600	99	891
Non-executive directors					
Miao Wenbin (繆文彬)	—	—	—	—	—
Ma Fulin (馬福林)	—	—	—	—	—
Xu Lijie (許麗潔)	—	—	—	—	—
Cheung Ho Kong (張浩剛)	109	—	—	—	109
Tse Hiu Tung, Sheldon (謝曉東)	109	—	—	—	109
Zhu Qing (朱青)	109	—	—	—	109
Supervisors					
Ma Pelin (馬培林)	—	—	—	—	—
Liu Zhigang (劉志剛) (Note (iv))	—	252	960	82	1,294
Chen Zhen (陳振)	—	—	—	—	—
	327	1,560	5,462	319	7,668

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(c) Directors' emoluments (Continued)

- (i) No directors or supervisors waived any emoluments and no emoluments were paid by the Group to any directors or supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office during the year ended 31 December 2024 (2023: nil).
- (ii) Mr. Geng Ming (耿鳴) resigned from his position as executive Director on 9 December 2024; he also stepped down as chairman of the Board.
- (iii) Mr. Li Baoshan (李寶山) was appointed as Chairman of the Board on 9 December 2024.
- (iv) Mr. Liu Zhigang (劉志剛) resigned as supervisor on 22 January 2024 and was appointed as executive director on 6 March 2025.
- (v) Mr. Wang Shuai (王帥) was appointed as supervisor on 22 January 2024.

(d) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their services in connection with the management of the affairs of the Company or its subsidiary undertakings during the year ended 31 December 2024 (2023: nil).

(e) Directors' termination benefits

No termination benefits were paid to the directors as compensation for the early termination of appointment during the year ended 31 December 2024 (2023: nil).

(f) Consideration provided to or receivable by third parties for making available directors' services

No consideration was provided to or receivable by any third party for making available directors' services during the year ended 31 December 2024 (2023: nil).

(g) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings were entered into by the Company in favor of any directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2024 (2023: nil).

(h) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 38, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2024 or at any time during the year ended 31 December 2024 (2023: same).

Notes to the Consolidated Financial Statements

10 FINANCE INCOME AND COSTS

Year ended 31 December

	2024 RMB'000	2023 RMB'000
Finance income:		
Interest income derived from bank deposits	7,419	5,247
Interest income from financing arrangements (Note 20(a))	1,070	2,182
Interest income from finance lease to a related party (Note 38(c))	1,044	1,193
Interest income from lease receivables	8,989	9,609
	18,522	18,231
Finance costs:		
Interest expenses on borrowings	(35,373)	(43,854)
Interest expenses on lease liabilities	(1,134)	(1,251)
Interest expenses on installment payable for acquisition of intangible assets	(5,135)	(2,987)
Interest expenses on loans from government	(464)	(832)
Unwinding of provision	(1,637)	(1,449)
	(43,743)	(50,373)
Finance costs – net	(25,221)	(32,142)

11 INCOME TAX EXPENSE

Year ended 31 December

	2024 RMB'000	2023 RMB'000
Current income tax		
– PRC corporate income tax	71,626	63,170
Deferred income tax (Note 32)	(20,454)	(7,854)
	51,172	55,316

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSE (Continued)

Tax on the Group's profit differs from the theoretical amount that would arise using the standard tax rate applicable to the profit of the Group as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Profit before income tax	288,591	282,150
Tax calculated at 25%	72,148	70,538
Tax effects of:		
– Preferential income tax rates applicable to certain subsidiaries	(29,280)	(33,707)
– Share of profit of associates accounted for using the equity method	(2,795)	(2,415)
– Super deduction for research and development expenditures	(2,192)	(1,689)
– Expenses not deductible for taxation purposes	2,758	2,731
– Temporary differences not recognised for deferred income tax	57	(49)
– Tax losses not recognised for deferred income tax	11,649	20,434
– Utilisation of previously unrecognised tax losses	(1,173)	(527)
	51,172	55,316

(a) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowance. The general PRC CIT rate is 25% during the year ended 31 December 2024 (2023: 25%).

In November 2024, Taiyuan Renewable Energy has renewed its high and new technology enterprise certification for three years from 2024 to 2027, and a preferential CIT rate of 15% has been applied.

Shanxi Shuangliang New Energy was approved for the renewal as a high and new technology enterprise certification in 2022. The applicable income tax rate is 15% for the years from 2022 to 2025.

In October 2022 and December 2022, Lanzhou Shuangliang and Hulunbuir Shuangliang were approved as high and new technology enterprises respectively and were entitled to preferential CIT rate of 15% from 2022 to 2025 according to the relevant CIT laws.

In December 2023, Shanxi Demonstration Zone Heat Supply was qualified as a high and new technology enterprise and entitled to enjoy a preferential CIT rate of 15% from 2023 to 2025.

In January 2024, Gansu Smart Energy was entitled to preferential CIT rate of 15% due to the supported industry tax policy in Western-North China.

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSE (Continued)

(b) Accounting policies of income tax expense

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction neither accounting profit or loss nor taxable ones are affected. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The deferred income tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances related to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in OCI or directly in equity, respectively.

Notes to the Consolidated Financial Statements

12 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2024	2023
Profit attributable to the owners of the Company (RMB'000)	164,154	148,980
Weighted average number of ordinary shares in issue (thousands)	301,600	262,039
Basic earnings per share (RMB per share)	0.54	0.57

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding as at 31 December 2024 (2023: same).

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Balance at beginning of the year	110,132	94,966
Share of net profit	16,100	15,374
Share of other comprehensive loss	—	(208)
Balance at the end of the year	126,232	110,132

Notes to the Consolidated Financial Statements

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Set out below is a list of the associates of the Group as at year end. The investments in associates only consist of ordinary shares. Their countries of incorporation are also their principal place of business, and the Group's proportion of ownership interest is the same as the proportion of voting rights held by the Group. There were no commitments and contingent liabilities relating to the Group's interests in the associates as at 31 December 2024 (2023: nil).

Name	Place of incorporation	Percentage of ownership interest attributable to the Group		Principal activities	Date of incorporation
		As at 31 December			
		2024	2023		
Sinopec New Star Shuangliang Geothermal Thermal Power Company Limited (中石化新星雙良地熱能熱電有限公司) ("Sinopec New Star") (a)	Shanxi Province, the PRC	40%	40%	Heat supply	17 September 2014
Shaanxi Gas Group New Energy Development Company Limited (陝西燃氣集團新能源發展有限公司) (b)	Shaanxi Province, the PRC	10%	10%	Heat supply	21 March 2013

(a) In 2014, the Group invested 40% equity interest in Sinopec New Star for a cash consideration of RMB24,000,000 and obtained significant influence through its board representatives.

(b) In 2018, the Group invested 10% equity interest in Shaanxi Gas Group New Energy Development Company Limited at a cash consideration of RMB34,041,000 and obtained significant influence through its board representatives.

The Group has interests in the above two individually immaterial associates which are accounted for using the equity method.

	As at and for the year ended	
	2024	2023
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	126,232	110,132
Aggregate amounts of the Group's share of:		
Profit from continuing operations	16,100	15,374
Other comprehensive loss	—	(208)

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Transportation equipment RMB'000	Office and electronic equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 1 January 2023						
Cost	112,954	79,531	26,830	17,432	2,140	238,887
Accumulated depreciation	(25,026)	(21,070)	(21,281)	(14,310)	(1,271)	(82,958)
Net book amount	87,928	58,461	5,549	3,122	869	155,929
Year ended 31 December 2023						
Opening net book amount	87,928	58,461	5,549	3,122	869	155,929
Additions	38,226	19,236	1,579	1,062	605	60,708
Disposals	—	(3,433)	—	(18)	—	(3,451)
Depreciation	(5,534)	(8,158)	(1,768)	(1,196)	(696)	(17,352)
Closing net book amount	120,620	66,106	5,360	2,970	778	195,834
At 31 December 2023						
Cost	151,180	92,646	28,410	18,441	2,719	293,396
Accumulated depreciation	(30,560)	(26,540)	(23,050)	(15,471)	(1,941)	(97,562)
Net book amount	120,620	66,106	5,360	2,970	778	195,834
Year ended 31 December 2024						
Opening net book amount	120,620	66,106	5,360	2,970	778	195,834
Additions	4,258	3,085	1,493	2,430	411	11,677
Disposals	—	—	(33)	(35)	—	(68)
Depreciation	(5,575)	(9,283)	(1,521)	(1,043)	(460)	(17,882)
Closing net book amount	119,303	59,908	5,299	4,322	729	189,561
At 31 December 2024						
Cost	155,438	86,690	29,237	20,204	3,130	294,699
Accumulated depreciation	(36,135)	(26,782)	(23,938)	(15,882)	(2,401)	(105,138)
Net book amount	119,303	59,908	5,299	4,322	729	189,561

Notes to the Consolidated Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation charge was expensed in the consolidated statements of comprehensive income as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of sales	6,471	5,348
Administrative expenses	11,411	12,004
	17,882	17,352

As at 31 December 2024, the net book value of the buildings of which the property ownership certificates had not been obtained or property ownership transfer procedures had not been completed were RMB24,814,000 (2023: RMB26,847,000).

The Directors are of the view that the Group is entitled to the lawful and valid occupancy and uses of these buildings and the related ownership certificates will be obtained in due course. The Directors are also of the opinion that the uses of these buildings without the ownership certificates for the Group's business operations for the time being will not expose the Group to any significant penalties or unfavorable consequences.

15 INVESTMENT PROPERTIES

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Balance at beginning of the year	344,197	267,200
Additions (a)	41,274	80,977
Net losses from fair value adjustment	(12,292)	(3,980)
Balance at the end of the year	373,179	344,197

As at December 31 2023 and 2024, the fair values of the investment properties were measured at level 3 of fair value hierarchy using significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the years.

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Rental income from operating leases	15,617	13,806
Fair value losses	(12,292)	(3,980)

Notes to the Consolidated Financial Statements

15 INVESTMENT PROPERTIES (Continued)

- (a) In 2024, additions to investment properties were related to the transfer of ownership of an office building from a third party customer to a subsidiary of the Group. The transfer was part of a settlement agreement for outstanding trade receivables and the pre-collection of future heating connection fees.
- (b) As at 31 December 2024, the Group had not obtained the ownership certificates of certain investment properties with a total net book value of RMB69,400,000 (2023: RMB72,040,000).

The Directors are of the view that the Group is entitled to the lawful and valid occupancy and uses of these investment properties and the related ownership certificates will be obtained in due course. The Directors are also of the opinion that the uses of these investment properties without the ownership certificates for the Group's business operations for the time being will not expose the Group to any significant penalties or unfavorable consequences.

(c) Operating lease arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no other variable lease payments. To reduce credit risk, the Group normally retains rental deposits from the lessees. Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	3,399	11,639
In the second year	—	2,511
	3,399	14,150

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to two years (2023: one to two years), The turnover-related rental income received during the year amounted to RMB15,850,000 (2023: RMB14,017,000).

(d) Fair value hierarchy

The investment properties of the Group are measured at fair value and are classified as level 3 under the prescribed accounting standards. There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2024 (2023: same).

(e) Valuation process

With the assistance of valuation performed by an independent valuer by using income approach, the Directors assessed the fair value of the investment properties as at 31 December 2024 (2023: same).

Notes to the Consolidated Financial Statements

15 INVESTMENT PROPERTIES (Continued)

(f) Valuation techniques

Income approach took into account the current rents of the property interests and the reversionary potentials of the tenancies. Term yield and reversionary yield are then applied respectively to derive the market value of the investment properties.

Direct market comparison made reference to unit rates as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the different factors such as location and building age.

(g) Information about fair value measurements using significant unobservable inputs (level 3)

Description	Unobservable inputs	Range of unobservable inputs As at 31 December	
		2024	2023
Investment properties — the PRC	Rate of return/ capitalisation rate	5.5% to 6.75%	5.5% to 6.75%
	Monthly rental (RMB/sq.m./month)	29.7 to 93.53	32.02 to 96.30

Relationship of unobservable inputs to fair value:

- The higher the rate of return/capitalisation rate, the lower the fair value;
- The higher the monthly rental, the higher the fair value.

(h) Accounting policy of investment properties

Investment properties, principally office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of other losses — net.

Notes to the Consolidated Financial Statements

16 RIGHT-OF-USE ASSETS

	Office premises RMB'000	Land use rights RMB'000	Total RMB'000
At 1 January 2023			
Cost	27,207	10,876	38,083
Accumulated depreciation	(6,937)	(2,765)	(9,702)
Net book amount	20,270	8,111	28,381
Year ended 31 December 2023			
Opening net book amount	20,270	8,111	28,381
Acquisition of new lease contracts	1,826	—	1,826
Depreciation	(3,259)	(224)	(3,483)
Closing net book amount	18,837	7,887	26,724
At 31 December 2023			
Cost	27,083	10,876	37,959
Accumulated depreciation	(8,246)	(2,989)	(11,235)
Net book amount	18,837	7,887	26,724
Year ended 31 December 2024			
Opening net book amount	18,837	7,887	26,724
Acquisition of new lease contracts	400	—	400
Early termination of lease contracts	(388)	—	(388)
Depreciation	(2,916)	(224)	(3,140)
Closing net book amount	15,933	7,663	23,596
At 31 December 2024			
Cost	26,120	10,876	36,996
Accumulated depreciation	(10,187)	(3,213)	(13,400)
Net book amount	15,933	7,663	23,596

Depreciation charge was expensed in the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Administrative expenses	3,140	3,483

Notes to the Consolidated Financial Statements

17 INTANGIBLE ASSETS

	Goodwill RMB'000	Operating concessions RMB'000	Software RMB'000	Total RMB'000
At 1 January 2023				
Cost	9,047	4,758,772	20,777	4,788,596
Accumulated amortisation	—	(1,319,420)	(7,700)	(1,327,120)
Accumulated impairment	—	(120,511)	—	(120,511)
Net book amount	9,047	3,318,841	13,077	3,340,965
Year ended 31 December 2023				
Opening net book amount	9,047	3,318,841	13,077	3,340,965
Additions	—	380,587	—	380,587
Amortisation	—	(199,566)	(1,147)	(200,713)
Closing net book amount	9,047	3,499,862	11,930	3,520,839
At 31 December 2023				
Cost	9,047	5,139,359	20,776	5,169,182
Accumulated amortisation	—	(1,518,986)	(8,846)	(1,527,832)
Accumulated impairment	—	(120,511)	—	(120,511)
Net book amount	9,047	3,499,862	11,930	3,520,839
Year ended 31 December 2024				
Opening net book amount	9,047	3,499,862	11,930	3,520,839
Additions	—	289,363	200	289,563
Amortisation	—	(209,020)	(1,127)	(210,147)
Closing net book amount	9,047	3,580,205	11,003	3,600,255
At 31 December 2024				
Cost	9,047	5,428,722	20,976	5,458,745
Accumulated amortisation	—	(1,728,006)	(9,973)	(1,737,979)
Accumulated impairment	—	(120,511)	—	(120,511)
Net book amount	9,047	3,580,205	11,003	3,600,255

Notes to the Consolidated Financial Statements

17 INTANGIBLE ASSETS (Continued)

(a) Impairment test for goodwill related to Taiyuan Renewable Energy

Goodwill acquired in a business combination is allocated to the cash generating unit (“CGU”) that is expected to benefit from that business combination. Taiyuan Renewable Energy’s business was transferred to and undertaken by the Group since 10 October 2010. The Directors consider Taiyuan Renewable Energy as a separate CGU and the goodwill of RMB9,047,000 is allocated to this CGU.

The recoverable amount of the CGU related to Taiyuan Renewable Energy is determined based on value-in-use calculation. The calculation uses pre-tax cash flow projections based on financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-year periods are extrapolated using the estimated growth rates stated below.

The following table sets out the key assumptions for the CGU that have goodwill allocated to it:

	As at 31 December	
	2024	2023
Net profit margin (%)	26.0%	27.0%
Revenue growth rate (%)	2% to 4%	3% to 4%
Terminal growth rate (%)	2.20%	3.00%
Pre-tax discount rate (%)	12.65%	13.38%

The revenue growth rate is mainly related to the actual heat service area served by the CGU under the relevant concession agreements. Taking into consideration the increase in actual heat service area of the relevant concessions of the CGU during the year ended 31 December 2024 and the future expansion plan for the heat service business of the Group under concession rights, the Directors expected that the CGU had a steady growth in actual heat service 2% to 4% in 2024 (2023: 3% to 4%).

Having considered China’s long-term inflation rate being stable at around 2% in 2024 (2023:3%), the Directors expected the terminal growth rate of the CGU to be 2.2% and did not adjust their expectation in 2024.

Based on the result of the goodwill impairment test performed by the Directors, the estimated recoverable amount exceeded the carrying amount by approximately RMB157,058,000 as at 31 December 2024 (2023: RMB163,075,000). Accordingly, no impairment provision was required to be made during the year ended 31 December 2024 (2023: nil). The Directors have performed a sensitivity analysis on the key assumptions used in impairment test of goodwill. Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

If the net profit margin used in the value-in-use calculation had decreased by 10% from management’s estimate as at 31 December 2024, the headroom would decrease to approximately RMB85,501,000 (2023: RMB95,494,000).

If the revenue growth rate used in the value-in-use calculation had decreased by 10% from management’s estimate as at 31 December 2024, the headroom would decrease to approximately RMB121,162,000 (2023: RMB124,127,000).

Notes to the Consolidated Financial Statements

17 INTANGIBLE ASSETS (Continued)

(a) Impairment test for goodwill related to Taiyuan Renewable Energy (Continued)

If the terminal growth rate used in the value-in-use calculation had decreased by 10% from management's estimate as at 31 December 2024, the headroom would decrease to approximately RMB142,479,000 (2023: RMB145,843,000).

If the discount rate used in the value-in-use calculation had increased by 10% from management's estimate as at 31 December 2024 and 2023, the headroom would decrease to approximately RMB75,012,000 (2023: RMB84,457,000).

(b) Impairment test for intangible assets related to Shuozhou Renewable Energy

With assistance of an independent valuer, the Directors assessed the impairment of the operating concession assets of Shuozhou Renewable Energy. As at 31 December 2024, the carrying amount of the operating concession assets of Shuozhou Renewable Energy was approximately RMB738,238,000 (2023: RMB746,879,000), net of accumulated impairment provision of RMB120,511,000 (2023: RMB120,511,000). During the year ended 31 December 2024, no additional impairment provision (2023: same) was recognised in the consolidated statement of comprehensive income.

The recoverable amount of the CGU related to Shuozhou Renewable Energy is determined based on a value-in-use calculation. The calculation uses pre-tax cash flow projection based on financial forecasts prepared by management covering the remaining service concession period.

The following table sets out the key assumptions for the impairment assessment:

	As at 31 December	
	2024	2023
Net profit margin (%)	-2.4% to 16.7%	-4.9% to 18.8%
Revenue growth rate (%)	2% to 5%	2% to 3%
Pre-tax discount rate (%)	12.67%	13.71%

The revenue growth rate is mainly estimated based on the heat service area served by the CGU under the Shuozhou Concession Agreement as well as the eligible heat service costs which would impact the calculation of the price subsidies from the local government. Taking into consideration the increase in actual heat service area and heat service costs of the relevant concession of the CGU during the year ended 31 December 2024 and the future expansion plan of the CGU, the Directors expected that the CGU would have a steady growth in heat service area of 2% to 5% over the forecast period (2023: same).

The forecasted costs and expenses associated with the CGU under the Shuozhou Renewable Energy concession are linked to the projected revenue growth rate. Various types of expenses, such as business costs, salaries, maintenance, and other operating costs, are estimated as a fixed percentage of revenue. These percentages, determined based on actual financial data as at 31 December 2024, are expected to remain consistent during the forecast period.

The Directors of the Company consider that no further impairment charge in 2024 was required after performing the impairment assessment. As at 31 December 2024, the recoverable amount of the CGU related to Shuozhou Renewable Energy approximated its carrying amount. The Directors consider that any reasonably possible changes in certain of the key assumptions as indicated below will result in further impairment charge to be recognised.

Notes to the Consolidated Financial Statements

17 INTANGIBLE ASSETS (Continued)

(b) Impairment test for intangible assets related to Shuozhou Renewable Energy (Continued)

If the net profit margin used in the value-in-use calculation had decreased by 5% from management's estimate as at 31 December 2024, the Group would not have further impairment against the carrying amount of intangible assets (2023: RMB4,808,000).

If the revenue growth rate used in the value-in-use calculation had decreased by 5% from management's estimate as at 31 December 2024, the Group would not have further impairment against the carrying amount of the CGU (2023: same).

If the discount rate used in the value-in-use calculation had increased by 2% from management's estimate as at 31 December 2024, the Group would not have further impairment against the carrying amount of intangible assets (2023: same).

(c) Amortisation charge was expensed in the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of sales	209,539	200,086
Administrative expenses	608	627
	<hr/>	<hr/>
	210,147	200,713

(d) As at 31 December 2024, intangible assets with carrying amount of approximately RMB733,349,000 (2023: RMB731,866,000) were pledged as collateral for the bank and other borrowings of the Group (Note 28(a)).

(e) Accounting policies of intangible assets

(i) Intangible assets

Goodwill

Goodwill is measured as described in Note 43.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives. Costs associated with maintenance of software programmes are recognised as expenses as incurred.

Notes to the Consolidated Financial Statements

17 INTANGIBLE ASSETS (Continued)

(e) Accounting policies of intangible assets (Continued)

(i) Intangible assets (Continued)

Operating concessions

The detailed accounting policy of operating concessions is depicted in Note 17(e)(ii).

Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful lives
Operating concessions	25–30 years
Software	2–5 years

Operating concessions of the Group are estimated based on the length of the concession period as stipulated in each of the Concession Agreements.

In addition, for certain software purchased for the purpose of monitoring the heat supply infrastructure, as such software can be used for the whole concession period without any major updates as expected, the software is amortised over the expected useful life of 30 years, being the concession period of the relevant concession project.

Research and development expenditure

Research expenditures are recognised as expenses as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as expenses as incurred. Development cost previously recognised as an expense is not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives.

Notes to the Consolidated Financial Statements

17 INTANGIBLE ASSETS (Continued)

(e) Accounting policies of intangible assets (Continued)

(ii) Service concession arrangements

The Group has entered into a number of service concession arrangements with governmental authorities (the “Grantors”). The service concession arrangements consist of build-operate-transfer arrangements under which the Group carries out construction works of the heat supply facilities for the Grantors and receives in return a right to operate the service projects concerned for a specified period of time (the “Operation Period”) in accordance with the pre-established conditions set by the Grantors, and the heat supply facilities should be transferred to the Grantors at the end of the Operation Period.

Under these service concession arrangements:

- the Grantors control or regulate the services the Group must provide with the infrastructure, to whom it must provide them, and at what price; and
- the Grantors control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the terms of the arrangements.

Consideration given by the Grantors

The Group provides construction services to the Grantors, in exchange for a right to provide heating service in the concession areas. The Group recognises contract assets as an intangible asset during construction period for its accumulated right to charge public users of the heating service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public users use the services. The borrowing costs incurred in financing the construction are capitalised in contract assets classified under intangible assets during the construction period. The intangible asset is amortised on a straight-line basis over the Operation Period when it becomes available for use, that is, at the point in time when the operator exercises its right under the license to charge public users.

Revenue relating to the operating concession is accounted for in accordance with Note 5(c) “Revenue recognition” above. Costs for operating the services are expensed in the period in which they are incurred.

Construction services

The fair value of the construction services under the concession arrangement is calculated as the estimated total construction cost plus a profit margin. The profit margins are assessed by the Directors with reference to the report issued by independent valuer, based on the prevailing market rate applicable to similar construction services at the date of the service concession arrangement. Revenue relating to the construction services is accounted for in accordance with Note 5(c) “Revenue recognition” above.

Contractual obligations to maintain or restore the infrastructure

The Group has contractual obligations which it must fulfil as a condition of its licenses, that is (i) to maintain the heat supply facilities it operates to a specified level of service quality; and (ii) to restore the heat supply facilities to a specified condition before they are handed over to the Grantors at the end of the Operation Period. These contractual obligations to maintain and restore the heat supply facilities, except for upgrade element, are recognised and measured in accordance with Note 34 “Provision” below.

Notes to the Consolidated Financial Statements

17 INTANGIBLE ASSETS (Continued)

(e) Accounting policies of intangible assets (Continued)

(iii) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Financial assets		
Financial assets at FVTPL	12,002	—
Financial assets at amortised cost		
Cash and cash equivalents	645,680	713,175
Restricted cash	74,175	86,468
Trade receivables	647,410	560,564
Other receivables and deposits	35,775	63,630
	1,415,042	1,423,837
Financial liabilities		
Liabilities at amortised cost:		
Borrowings	726,738	719,810
Lease liabilities	17,547	17,615
Trade and other payables excluding non-financial liabilities	939,671	1,040,637
	1,683,956	1,778,062

Notes to the Consolidated Financial Statements

18 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(a) Accounting policies of financial assets

(i) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“**OCI**”), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gain/(losses) — net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

Notes to the Consolidated Financial Statements

18 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

(a) Accounting policies of financial assets (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

- Fair value through OCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statements of comprehensive income and recognised in 'other gain/(losses) — net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through OCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in 'other gain/(losses) — net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in 'other income' when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in 'other gain/(losses) — net' as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through OCI are not reported separately from other changes in fair value.

(ii) Impairment of financial assets

The Group has the following types of financial assets subject to expected credit loss model:

- trade receivables;
- contract assets;
- other receivables and deposits; and
- cash and cash equivalents and restricted cash.

Notes to the Consolidated Financial Statements

18 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

(a) Accounting policies of financial assets *(Continued)*

(ii) Impairment of financial assets *(Continued)*

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables and deposits, impairment is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime expected credit losses.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

19 TRADE RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Included in current assets		
Trade receivables (a)		
— Related parties (Note 38(d))	2,712	2,080
— Third parties	623,927	509,182
	626,639	511,262
Notes receivables	—	1,319
Lease receivables	18,904	18,904
Less: allowance for impairment of trade receivables and lease receivables	(69,709)	(58,795)
	575,834	472,690
Included in non-current assets		
Lease receivables	93,576	105,146
Less: allowance for impairment of lease receivables	(22,000)	(17,272)
	71,576	87,874
Total trade receivables	647,410	560,564

Notes to the Consolidated Financial Statements

19 TRADE RECEIVABLES (Continued)

- (a) The Group normally provides no credit period to its customers. The following is an aging analysis of trade receivables (excluding notes receivables and lease receivables) from the date of sales:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year	389,079	374,903
1 to 2 years	176,229	103,575
2 to 3 years	37,291	12,196
Over 3 years	24,040	20,588
	626,639	511,262

- (b) The Group's trade receivables, notes receivables and lease receivables were denominated in RMB.
- (c) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Information about the impairment of trade receivables and lease receivables and the Group's exposure to credit risk can be found in Note 3.1(b).
- (d) As at 31 December 2024, trade receivables with carrying amount of approximately RMB127,454,000 (2023: RMB103,426,000) were pledged as collaterals for the bank borrowings of the Group (Note 28(a)).

Notes to the Consolidated Financial Statements

20 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Included in current assets		
Other receivables and deposits		
– Deposits	11,931	8,373
– Consideration receivable from disposal of intangible assets	1,697	1,780
– Receivable of financing arrangements with a third party (a)	–	30,143
– Others	9,408	7,721
	23,036	48,017
Less: allowance for impairment of other receivables and deposits	(7,609)	(7,532)
	15,427	40,485
Deductible value-added tax	40,221	31,583
Prepayments to suppliers	66,653	21,652
Prepayments for income tax	6,958	8,961
	113,832	62,196
	129,259	102,681
Included in non-current assets		
Receivable of finance lease of plant and equipment to a related party (Note 38(d))	20,423	23,230
Less: allowance for impairment of other receivables and deposits	(75)	(85)
	20,348	23,145
Prepayments to related parties (Note 38(d))	266	2,764
Prepayments for intangible assets	6,399	5,961
	6,665	8,725
	27,013	31,870
Total prepayments and other receivables	156,272	134,551

Notes to the Consolidated Financial Statements

20 PREPAYMENTS AND OTHER RECEIVABLES (Continued)

- (a) On 4 December 2018, the Group entered into a series of arrangements with a third party, pursuant to which the third party undertook sales and buyback arrangements with the Group for certain heat supply infrastructure. The total consideration payable to the third party by the Group for the sales and buyback arrangements was RMB176,000,000, of which RMB120,000,000 was paid in 2018 and RMB56,000,000 was paid in 2019. The third party agreed to purchase back the infrastructure at a total consideration of RMB244,100,000 over five years. According to the payment schedule, RMB48,820,000 will be paid each year during a five-year operating period. The repurchase price included the effect of the time value of money which is more than the original sale price of the heat supply infrastructure. Therefore, the arrangement is accounted for as a financing arrangement as provided by the Group to the third party. The outstanding balance was fully settled in January 2024. During the year ended 31 December 2024, the Group recognised finance income from the aforesaid receivables of RMB1,070,000 (2023: RMB2,182,000) (Note 10).
- (b) Movements in the provision for impairment of other receivables and deposits during the year are disclosed in Note 3.1(b).
- (c) The Group's other receivables and deposits were denominated in RMB.

21 INVENTORIES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
At cost:		
Raw materials and consumables	33,038	36,871

The costs of inventories recognised in profit or loss for the year ended 31 December 2024 were RMB158,028,000 (2023: RMB122,640,000).

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Wealth management products	12,002	—

- (a) As at 31 December 2024, the financial assets at fair value through profit or loss were all denominated in RMB.
- (b) The wealth management product was open-ended with no specified maturity date.
- (c) For information about the methods and assumptions used in determining fair value see Note 3.3.

Notes to the Consolidated Financial Statements

23 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash at banks	719,796	799,606
Cash on hand	59	37
	<hr/>	<hr/>
	719,855	799,643
Less: restricted cash (a)	(74,175)	(86,468)
	<hr/>	<hr/>
Cash and cash equivalents	645,680	713,175

- (a) The Group's restricted cash were deposits placed with the banks for the issuance of bank acceptance notes. As at 31 December 2024, restricted cash included: (i) for the issuance of bank's acceptance notes amounted to approximately RMB64,175,000 (2023: RMB80,462,000) and (ii) for a security deposit placed to a heat supply pipeline leasing service project with a potential customer, which amounted to RMB10,000,000 (2023: Nil).
- (b) The Group's restricted cash were denominated in RMB, while cash and cash equivalents are denominated as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
HKD	67,292	165,298
RMB	578,388	547,877
	<hr/>	<hr/>
Cash and cash equivalents	645,680	713,175

Notes to the Consolidated Financial Statements

24 SHARE CAPITAL

The Company

	2024 Shares	2023 Shares	2024 RMB'000	2023 RMB'000
Ordinary shares Fully paid	301,600,000	301,600,000	301,600	301,600

Movements in ordinary shares:		Number of shares	Total RMB'000
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Details

Balance at 1 January 2023		226,000,000	226,000
Initial public offering (a)		75,600,000	75,600

Balance at 31 December 2023, 1 January 2024 and 31 December 2024		301,600,000	301,600
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- (a) On 10 July 2023, the Company issued 75,600,000 ordinary shares in its Initial Public Offering at a price of HK\$3.6 per share and raised gross proceeds of appropriately RMB238.8 million. After netting off share issuance costs of approximately RMB59.0 million, the amount in excess of nominal value of share capital of RMB104.2 million was credited to share premium account under “capital reserves” (Note 25).

Notes to the Consolidated Financial Statements

25 OTHER RESERVES

	Capital reserves RMB'000	Statutory reserves (Note (a)) RMB'000	Revaluation surplus RMB'000	Other reserves RMB'000	Total RMB'000
Balance at 1 January 2023	5,726	176,491	18,562	(665)	200,114
Appropriation to statutory reserves	—	50,575	—	—	50,575
Shares issued pursuant to the initial public offering	104,217	—	—	—	104,217
Others	—	—	—	(106)	(106)
Balance at 31 December 2023	109,943	227,066	18,562	(771)	354,800
Balance at 1 January 2024	109,943	227,066	18,562	(771)	354,800
Appropriation to statutory reserves	—	36,699	—	—	36,699
Balance at 31 December 2024	109,943	263,765	18,562	(771)	391,499

- (a) In accordance with the relevant laws and regulations of the PRC, the Company and the PRC subsidiaries of the Group should make appropriation of not less than 10% of its net income after taxes to legal reserve. Further appropriation is optional when the accumulated statutory reserve is 50% or more of its registered capital. Upon approval from the respective board of directors of the group entities, the statutory reserves can be used to offset accumulated losses of the Company and the PRC subsidiaries of the Group.

26 RETAINED EARNINGS

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
At the beginning of the year	399,408	301,003
Profit for the year	164,154	148,980
Dividend (Note 33)	(45,240)	—
Appropriation to statutory reserves	(36,699)	(50,575)
At the end of the year	481,623	399,408

Notes to the Consolidated Financial Statements

27 TRADE AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Included in current liabilities		
Trade payables		
— Related parties (Note 38(d))	1,551	1,525
— Third parties	480,665	498,311
	482,216	499,836
Notes payables (b)	64,368	61,903
Amounts due to related parties (Note 38(d) and 38(e))	9,610	26,508
Payables for acquisition of intangible assets	196,291	270,160
Payables for acquisition of property, plant and equipment	4,850	5,420
Employee benefits payables	33,288	30,970
Other taxes payables	32,088	33,522
Interest payables	904	1,079
Employee reimbursement payables	355	1,263
Dividends payables to non-controlling interests	46,280	10,000
Loans from government (d)	22,981	22,517
Refundable pipeline connection fees	1,709	1,895
Installment payable for acquisition of intangible assets	38,318	35,328
Others	42,702	43,006
	975,960	1,043,407
Included in non-current liabilities		
Other payables		
— A third party (installment payable for acquisition of intangible assets)	29,442	62,985
Total trade and other payables	1,005,402	1,106,392

(a) The following is an aging analysis of trade payables presented based on the goods/services receipt dates:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year	376,207	348,546
1 to 2 years	44,523	42,984
2 to 3 years	21,560	33,936
Over 3 years	39,926	74,370
	482,216	499,836

Notes to the Consolidated Financial Statements

27 TRADE AND OTHER PAYABLES (Continued)

- (b) As at 31 December 2024, the Group's notes payables of RMB35,853,000 (2023: RMB80,462,000) were secured by restricted cash (Note 23(a)).
- (c) The Group's trade and other payables were denominated in RMB.
- (d) In August 2012 and July 2013, the Group entered into agreements with Shanxi Provincial Government Investment Asset Management Center ("**Shanxi Government Investment Center**"). According to the agreements, Shanxi Government Investment Center provided to the Group interest free loans amounted to RMB27,500,000 in total, both agreements with a term of seven years to support its construction of heating projects in Shanxi province. Subsequent to the interest-free periods ended in 2020, interest would be calculated at 4.9% per annum according to the benchmark loan interest rate.

28 BORROWINGS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Included in non-current liabilities:		
Bank borrowings		
— secured and guaranteed (a)	535,587	581,310
— unsecured	—	58,500
	535,587	639,810
Less: current portion of non-current liabilities	(108,554)	(51,380)
	427,033	588,430
Included in current liabilities:		
Bank borrowings		
— secured and guaranteed (a)	99,651	30,000
— unsecured and guaranteed (b)	34,000	50,000
— unsecured	57,500	—
Current portion of non-current liabilities	108,554	51,380
	299,705	131,380
Total borrowings	726,738	719,810

Notes to the Consolidated Financial Statements

28 BORROWINGS (Continued)

As at year end, the Group's borrowings were repayable as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year or on demand	299,705	131,380
Between 1 and 2 years	124,082	165,868
Between 2 and 5 years	242,472	303,316
Over 5 years	60,479	119,246
	726,738	719,810

(a) As at 31 December 2024, the bank borrowings of Hulunbuir Shuangliang amounting to RMB149,151,000 (2023: RMB148,500,000) were guaranteed by the Company and secured by certain trade receivables (Note 19(d)). Meanwhile, the bank borrowings of Lanzhou Shuangliang amounting to RMB102,375,000 (2023: RMB103,875,000) were guaranteed by the Company and Gansu Shuangliang and secured by certain intangible assets (Note 17(d)). In addition, the bank borrowings of Shuozhou Renewable Energy amounting to RMB175,000,000 (2023: RMB150,000,000) were guaranteed by Taiyuan Renewable Energy, the Company, and secured by price subsidy receivables and certain intangible assets (Note 17(d)). Furthermore, the bank borrowings of Wise Living Tech-Thermal Power (Zhengzhou) Company Limited amounting to RMB9,934,000 (2023: RMB5,536,000) were guaranteed by the Company and secured by certain trade receivables (Note 19(d)). As at 31 December 2024, the bank borrowing of Lanzhou Shuangliang amounting to RMB198,778,000 was guaranteed by the Company and secured by certain trade receivables (Note 19(d)).

(b) As at 31 December 2023, bank borrowings amounting to RMB50,000,000 were guaranteed by Gansu Shuangliang.

As at 31 December 2024, bank borrowings amounting to RMB34,000,000 were guaranteed by the Company.

(c) As at 31 December 2024, the Group had aggregate credit facilities of approximately RMB1,143,661,000 (2023: RMB1,622,020,000). Unused facilities as at the same date amounted to approximately RMB461,810,000 (2023: RMB899,439,000).

(d) Certain of the Group's bank borrowings are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. In March 2020, the Group obtained from the lending bank a letter of waiver from strict compliance with the relevant financial covenants which continue to be applicable during the year ended 31 December 2024 (2023: same). Accordingly, the Group classified the loan amounting to RMB139,671,000 as at 31 December 2024 (2023: RMB203,399,000) as non-current liability according to its original payment schedule as set out in the loan contract.

Notes to the Consolidated Financial Statements

28 BORROWINGS (Continued)

(e) The annual weighted average effective interest rate of borrowings as at year end was as follows:

	As at 31 December	
	2024	2023
Borrowings	4.43%	4.76%

The carrying amounts of the borrowings approximated their fair values as their interest rates are considered as close to the current market rates.

The Group's borrowings were denominated in RMB.

29 CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Included in current liabilities		
Provision and distribution of heat	451,582	435,486
Pipeline connection fees	114,713	103,293
Sale of goods	1,212	274
Others	4,091	427
	571,598	539,480
Included in non-current liabilities		
Pipeline connection fees	1,980,399	1,915,126
	2,551,997	2,454,606

Notes to the Consolidated Financial Statements

29 CONTRACT LIABILITIES (Continued)

(a) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the year relating to carried-forward contract liabilities.

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– Provision and distribution of heat	435,486	345,139
– Pipeline connection fees	103,293	95,032
– Sale of goods	274	348
– Others	427	27
	539,480	440,546

(b) Unsatisfied performance obligations

The Group has elected the expedient of not disclosing the remaining performance obligations for the provision and distribution of heat and sale of goods, which the performance obligation is part of a contract that has an original expected duration of one year or less.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) excluding the performance obligation which is part of a contract that has an original expected duration of one year or less as at year end, relating to the pipeline connection fees, is set out below:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Within 1 year	114,713	103,293
Over 1 year	1,980,399	1,915,126
	2,095,112	2,018,419

Notes to the Consolidated Financial Statements

30 DEFERRED INCOME

The Group's deferred income represents government grants received from governmental authorities. The movement of deferred income is set out below:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
At the beginning of the year	89,719	83,459
Additions	36,117	22,000
Recognised in profit or loss	(14,520)	(15,740)
At the end of the year	111,316	89,719

31 LEASE LIABILITIES

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Current	2,808	164
Non-current	14,739	17,451
	17,547	17,615

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Interest expenses (included in finance costs-net)	1,134	1,251
Expenses relating to short-term leases	832	1,536
Cash outflow for short-term leases	832	1,536
Cash outflow for lease payments (including interests)	1,602	5,144
Cash outflow for short-term leases and lease payments	2,434	6,680

The Group leases pipeline, heat supply equipment and office premises and these lease liabilities were measured at net present value of the minimum lease payments during the lease terms that are not yet paid. There was no extension option clause in the lease agreements.

Notes to the Consolidated Financial Statements

32 DEFERRED INCOME TAX

(a) Deferred income tax assets

	As at 31 December	
	2024 RMB'000	2023 RMB'000
To be recovered within 12 months	2,256	2,619
To be recovered after more than 12 months	211,653	189,939
Total deferred income tax assets	213,909	192,558
Offsetting against deferred income tax liabilities	(128,641)	(124,955)
Net deferred income tax assets	85,268	67,603

The movement in deferred income tax assets is as follows:

	Loss allowance of financial assets RMB'000	Deferred income RMB'000	Tax losses RMB'000	Temporary differences relating to depreciation of property, plant and equipment and amortisation of intangible assets RMB'000	Temporary differences relating to recognition of pipeline connection fees RMB'000	Lease liabilities RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2023	14,339	15,198	24,382	455	118,525	729	6,235	179,863
Credited/(Charged) to profit or loss	293	385	(8,035)	79	18,834	322	817	12,695
As at 31 December 2023	14,632	15,583	16,347	534	137,359	1,051	7,052	192,558
As at 1 January 2024	14,632	15,583	16,347	534	137,359	1,051	7,052	192,558
Credited/(Charged) to profit or loss	4,317	(739)	(753)	(43)	17,360	214	995	21,351
As at 31 December 2024	18,949	14,844	15,594	491	154,719	1,265	8,047	213,909

Notes to the Consolidated Financial Statements

32 DEFERRED INCOME TAX (Continued)

(a) Deferred income tax assets (Continued)

For the year ended 31 December 2024, the Group did not recognise deferred income tax assets of approximately RMB11,649,000 (2023: RMB20,434,000) in respect of losses amounting to approximately RMB46,597,000 (2023: RMB81,738,000) that can be carried forward against future taxable income. Tax losses of group companies operated in the PRC could be carried forward for a maximum of five years. These tax losses will be expiring up to 2029 (2023: expiring up to 2028). As at 31 December 2024, no deferred tax asset had been recognised in respect of the unused tax losses amounting to RMB366,269,000 (2023: RMB389,311,000) due to the unpredictability of future profit streams of the relevant subsidiaries of the Company. The tax losses of certain PRC group entities that had not been recognised as deferred income tax assets can be carried forward against future taxable income which will expire in the following years:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
2024	—	69,639
2025	105,146	105,146
2026	26,330	26,330
2027	106,458	106,458
2028	81,738	81,738
2029	46,597	—
	366,269	389,311

(b) Deferred income tax liabilities

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
To be settled within 12 months	4,346	4,346
To be settled after more than 12 months	147,911	147,015
	152,257	151,361
Offsetting against deferred income tax assets	(128,641)	(124,955)
Net deferred income tax liabilities	23,616	26,406

Notes to the Consolidated Financial Statements

32 DEFERRED INCOME TAX (Continued)

(b) Deferred income tax liabilities (Continued)

The movement in deferred income tax liabilities is as follows:

	Fair value losses of investment properties RMB'000	Temporary differences on assets recognised under IFRIC 12 RMB'000	Temporary differences relating to energy management services RMB'000	Total RMB'000
As at 1 January 2023	8,823	128,544	9,153	146,520
(Credited)/charged to profit or loss	(597)	2,887	2,551	4,841
As at 31 December 2023	8,226	131,431	11,704	151,361
As at 1 January 2024	8,226	131,431	11,704	151,361
(Credited)/charged to profit or loss	(1,843)	2,279	461	897
As at 31 December 2024	6,383	133,710	12,165	152,258

33 DIVIDENDS

A dividend of RMB0.15 per share, amounting to RMB45,240,000 has been declared and paid by the Company during the year ended 31 December 2024 (2023: nil).

On 21 March 2025, the board of directors resolved to declare a final dividend of RMB0.164 per share, amounting to RMB49,472,000 for the year ended 31 December 2024. The final dividend is subject to approval by the shareholders in the upcoming annual general meeting and these financial statements do not reflect this dividend payable.

34 PROVISION

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Provision for maintenance of service concession facilities	38,113	31,298

Pursuant to the service concession agreements entered into by the Group, the Group has the contractual obligations to maintain the facilities it operates to specified level of service quality and/or to restore the plants to specified conditions before the facilities are handed over to the Grantors at the end of the service concession periods. These contractual obligations to maintain or restore the facilities, except for any upgrade elements, are recognised and measured at the best estimate of the expenditures that would be required to settle the present obligations at each of the reporting dates.

Notes to the Consolidated Financial Statements

34 PROVISION (Continued)

(a) Accounting policies of provision

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

The operator of an operating concession normally has contractual obligations it must fulfil as a condition of its license (i) to maintain the infrastructure to a specified level of service quality; and (ii) to restore the infrastructure to a specified condition before it is handed over to the Grantor at the end of the service arrangement. These contractual obligations to maintain or restore the infrastructure, except for any upgrade element, shall be recognised in the consolidated statements of financial position and measured in accordance with IAS 37 at the best estimate of the expenditures that will be required to settle the contractual obligations.

Notes to the Consolidated Financial Statements

35 CASH FLOW INFORMATION

(a) Reconciliation of profit before income tax to cash generated from operations:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit before income tax	288,591	282,150
Adjustments for:		
Interest income (Note 10)	(18,522)	(18,231)
Interest expense (Note 10)	43,743	50,373
Gains on investments on wealth management products	(2)	—
Fair value losses of investment properties (Note 7)	12,292	3,980
Depreciation of property, plant and equipment (Note 14)	17,882	17,352
Depreciation of right-of-use assets (Note 16)	3,140	3,483
Amortisation of intangible assets (Note 17)	210,147	200,713
Share of net profit of associates accounted for using the equity method (Note 13)	(16,100)	(15,374)
Gains on disposal of property, plant and equipment	(168)	(932)
Gain on extinguishment of account receivables (Note 7)	(2,043)	—
Provision for/(reversal of) impairment losses on financial assets and contract assets	24,934	(11,980)
Loss on deregistration of a subsidiary	181	—
Amortisation of government grants related to assets (Note 30)	(14,520)	(15,740)
Profit from operating concessions construction services	(34,552)	(28,150)
Operating cash flows before changes in working capital	515,003	467,644
Changes in working capital:		
Restricted cash	12,292	2,806
Inventories	3,833	12,055
Contract assets	—	14,674
Trade and other receivables	(199,740)	(90,420)
Trade and other payables	(1,339)	137,449
Contract liabilities	97,391	192,606
Cash generated from operations	427,440	736,814

Notes to the Consolidated Financial Statements

35 CASH FLOW INFORMATION (Continued)

(b) Non-cash transactions

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Acquisition of new lease contracts	400	1,826
Revenue from operating concessions construction services	289,363	285,341
Accounts receivable settled through investment properties	41,274	80,977
Accounts receivable settled through property, plant and equipment	2,716	34,528

(c) Net liabilities from financing activities reconciliation

This section sets out an analysis of net liabilities from financing activities and the movements in the liabilities from financing activities for the year.

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash and cash equivalents	645,680	713,175
Lease liabilities	(17,547)	(17,615)
Dividend payable	(46,280)	(10,000)
Installment payable for acquisition of intangible assets	(67,760)	(98,313)
Borrowings and interest payables	(727,642)	(720,889)
Amounts advanced from a related party	—	(700)
Loans from government	(22,981)	(22,517)
Net liabilities from financing activities	(236,530)	(156,859)
Cash and cash equivalents	645,680	713,175
Gross debt — fixed interest rates	(450,932)	(458,135)
Gross debt — variable interest rates	(431,278)	(411,899)
Net liabilities from financing activities	(236,530)	(156,859)

Notes to the Consolidated Financial Statements

35 CASH FLOW INFORMATION (Continued)

(c) Net liabilities from financing activities reconciliation (Continued)

	Liabilities from financing activities							Total RMB'000
	Cash and cash equivalents RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Other payables RMB'000	Borrowings and interest payables RMB'000	Amounts advanced from		
						a related party RMB'000	Loans from government RMB'000	
Net liabilities as at 1 January 2023	378,068	(19,682)	(40,778)	(47,937)	(882,321)	(700)	(22,498)	(635,848)
Cash flows	335,107	5,144	60,778	47,857	205,286	—	813	654,985
Acquisition of new lease contracts	—	(1,826)	—	—	—	—	—	(1,826)
Acquisition of intangible assets	—	—	—	(95,246)	—	—	—	(95,246)
Accrual of dividend payable	—	—	(30,000)	—	—	—	—	(30,000)
Interest expenses	—	(1,251)	—	(2,987)	(43,854)	—	(832)	(48,924)
Net liabilities as at 31 December 2023	713,175	(17,615)	(10,000)	(98,313)	(720,889)	(700)	(22,517)	(156,859)
Net liabilities as at 1 January 2024	713,175	(17,615)	(10,000)	(98,313)	(720,889)	(700)	(22,517)	(156,859)
Cash flows	(67,495)	1,602	80,460	35,688	28,620	700	—	79,575
Acquisition of new lease contracts	—	(400)	—	—	—	—	—	(400)
Accrual of dividend payable	—	—	(116,740)	—	—	—	—	(116,740)
Interest expenses	—	(1,134)	—	(5,135)	(35,373)	—	(464)	(42,106)
Net liabilities as at 31 December 2024	645,680	(17,547)	(46,280)	(67,760)	(727,642)	—	(22,981)	(236,530)

Notes to the Consolidated Financial Statements

36 NON-CONTROLLING INTERESTS

Set out below is summarised financial information for those subsidiaries that have non-controlling interests (“NCI”) which are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Shanxi Shuangliang Renewable Energy As at 31 December	
	2024	2023
	RMB'000	RMB'000
Summarised statement of financial position		
Current assets	656,900	668,262
Current liabilities	(1,267,060)	(1,337,050)
Net current liabilities	(610,160)	(668,788)
Non-current assets	2,189,970	2,178,188
Non-current liabilities	(1,158,997)	(1,096,087)
Net non-current assets	1,030,973	1,082,101
Net assets	420,813	413,313
Accumulated NCI	206,099	202,492

	Gansu Shuangliang As at 31 December	
	2024	2023
	RMB'000	RMB'000
Summarised statement of financial position		
Current assets	355,251	242,924
Current liabilities	(794,110)	(738,213)
Net current liabilities	(438,859)	(495,289)
Non-current assets	1,406,993	1,342,067
Non-current liabilities	(881,246)	(810,398)
Net non-current assets	525,747	531,669
Net assets	86,888	36,380
Accumulated NCI	17,380	7,278

Notes to the Consolidated Financial Statements

36 NON-CONTROLLING INTERESTS (Continued)

	Hulunbuir Shuangliang	
	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Summarised statement of financial position		
Current assets	242,952	272,954
Current liabilities	(236,639)	(167,153)
Net current assets	6,313	105,801
Non-current assets	680,767	697,915
Non-current liabilities	(542,664)	(582,203)
Net non-current assets	138,103	115,712
Net assets	144,416	221,513
Accumulated NCI	21,663	33,227
Shanxi Shuangliang Renewable Energy		
Year ended 31 December		
	2024	2023
	RMB'000	RMB'000
Summarised statement of comprehensive income		
Revenue	933,642	891,217
Total comprehensive income	107,528	111,991
Profit allocated to NCI	52,622	54,876
Dividends paid to NCI	25,220	40,778
Dividends declared to NCI	49,000	—

Notes to the Consolidated Financial Statements

36 NON-CONTROLLING INTERESTS (Continued)

Shanxi Shuangliang Renewable Energy Year ended 31 December

	2024 RMB'000	2023 RMB'000
Summarised cash flows		
Cash flows from operating activities	154,430	283,421
Cash flows used in investing activities	(89,502)	(99,469)
Cash flows generated from/(used in) financing activities	(95,525)	(126,061)
Net (decrease)/increase in cash and cash equivalents	(30,597)	57,891

Gansu Shuangliang Year ended 31 December

	2024 RMB'000	2023 RMB'000
Summarised cash flows		
Cash flows (used in)/generated from operating activities	(3,931)	151,683
Cash flows used in investing activities	(133,084)	(95,522)
Cash flows generated from/(used in) financing activities	157,248	(20,014)
Net increase in cash and cash equivalents	20,233	36,147

Hulunbuir Shuangliang Year ended 31 December

	2024 RMB'000	2023 RMB'000
Summarised cash flows		
Cash flows (used in) operating activities	14,683	(21,120)
Cash flows (used in)/generated from investing activities	(10,506)	14,457
Cash flows (used in)/generated from financing activities	(26,766)	45,116
Net (decrease)/increase in cash and cash equivalents	(22,589)	38,453

Notes to the Consolidated Financial Statements

37 COMMITMENTS

(a) Commitments relating to short-term leases

The future aggregate minimum lease payments under non-cancellable short-term leases contracted for but not recognised as liabilities at year end are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
No later than 1 year	74	864

(b) Capital commitments

The Group's capital expenditures contracted for but not yet incurred at year end is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Intangible assets	29,192	39,943

38 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Below is the summary of the Group's key related parties during the year:

Name of the related party	Relationship with the Group
Sinopec New Star	Associate
Shuangliang Eco-Energy	Controlled by the significant shareholder
Jiangyin International Grand Hotel Company Limited ("Jiangyin Hotel")	Controlled by the significant shareholder
Jiangsu Shuangliang Boiler Company Limited ("Shuangliang Boiler")	Under the common control of parent company
Jiangsu Shuangliang Hydrogen Energy Technology Company Limited ("Shuangliang Hydrogen Energy")	Under the common control of parent company
Jiangsu Shuangliang New Energy Equipment Company Limited ("Shuangliang New Energy Equipment")	Controlled by the significant shareholder
Jiangsu Shuangliang Energy-Saving Eco Engineering Technique Company Limited ("Shuangliang Eco Engineering")	Controlled by the significant shareholder
Wuxi Hundun Energy Technology Company Limited ("Wuxi Hundun")	Controlled by the significant shareholder

Notes to the Consolidated Financial Statements

38 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

The key management of the Group are the Directors of the Company. The compensation paid or payable to key management is disclosed in Note 9.

(c) Transactions with related parties

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
<i>Sales of goods or services to</i>		
Sinopec New Star	7,071	9,302
<i>Purchases of plant and equipment from</i>		
Shuangliang Eco-Energy and its subsidiary	7,056	9,124
Wuxi Hundun	573	3,341
Shuangliang Eco Engineering	—	2,956
Sinopec New Star	1,536	1,811
Shuangliang Boiler	2,194	1,483
<i>Purchases of services from</i>		
Shuangliang Eco-Energy and its subsidiary	—	3,170
Jiangyin Hotel	1,510	1,647
Shuangliang Hydrogen Energy	64	—
<i>Leasing arrangements</i>		
Interest income from finance lease to Sinopec New Star	1,044	1,193
Interest expense on finance lease from Sinopec New Star	420	481
Interest expense on lease from Jiangyin Hotel	6	9

These transactions were entered into at terms mutually agreed between the relevant parties. If there is no related party transaction agreement sign or obtained.

Notes to the Consolidated Financial Statements

38 RELATED PARTY TRANSACTIONS (Continued)

(d) Outstanding balances arising from sales/purchases of goods and services – trade

The following balances are outstanding as at year end in relation to transactions with related parties:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
<i>Trade receivables for sales of goods or services</i>		
Sinopec New Star (Note 19)	2,712	2,080
	<hr/>	<hr/>
<i>Receivable of finance lease of plant and equipment to a related party</i>		
Sinopec New Star (Note 20)	20,423	23,230
	<hr/>	<hr/>
<i>Prepayments for purchase of goods or services</i>		
Shuangliang Eco-Energy (Note 20)	266	2,689
Shuangliang Boiler	—	75
	<hr/>	<hr/>
	266	2,764
	<hr/>	<hr/>

Notes to the Consolidated Financial Statements

38 RELATED PARTY TRANSACTIONS (Continued)

(d) Outstanding balances arising from sales/purchases of goods and services – trade (Continued)

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
<i>Trade and other payables for purchase of goods or services (Note 27)</i>		
Shuangliang Eco-Energy	996	8,499
Shuangliang Boiler	242	122
Jiangyin Hotel	73	122
Shuangliang Eco Engineering	6,848	13,248
Shuangliang New Energy Equipment	—	2,705
Sinopec New Star	2,914	2,498
Wuxi Hundun	88	139
	11,161	27,333
Payable for finance lease of plant and equipment from a related party		
Sinopec New Star	—	7,386

The balances of receivables and payables with trade nature are all denominated in RMB, unsecured, interest free and settled in accordance with agreed terms with related parties.

(e) Amounts due to related parties – non-trade

Amounts advanced from a related party

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
<i>Amounts advanced from a related party</i>		
Sinopec New Star	—	700

Amounts advanced from a related party are denominated in RMB, unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements

39 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		660	479
Intangible assets		2	5
Right-of-use assets		78	146
Investment in subsidiaries		160,000	151,000
Prepayments and other receivables		—	—
Deferred income tax assets		2,109	2,109
		162,849	153,739
Current assets			
Amounts due from subsidiaries		575,343	480,067
Prepayments and other receivables		3,697	3,214
Restricted Cash		2,000	—
Cash and cash equivalents		180,609	227,043
		761,649	710,324
Total assets		924,498	864,063
EQUITY			
Share capital	24	301,600	301,600
Other reserves	39(a)	147,532	133,141
Retained earnings	39(b)	280,500	196,218
		729,632	630,959
LIABILITIES			
Non-current liabilities			
Borrowings		—	57,500
Lease liabilities		106	111
		106	57,611
Current liabilities			
Borrowings		57,500	51,000
Trade and other payables		7,600	10,130
Amounts due to subsidiaries		128,926	113,642
Current income tax liabilities		661	661
Lease liabilities		73	60
Total equity		194,760	175,493
Total liabilities		194,866	233,104
Total equity and liabilities		924,498	864,063

Li Baoshan
Director

Luo Wei
Director

Notes to the Consolidated Financial Statements

39 NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) Other reserves

	Capital reserves RMB'000	Statutory reserves RMB'000	Total RMB'000
Balance at 31 December 2022 and 1 January 2023	5,726	9,837	15,563
Capital injection	104,217	—	104,217
Appropriation to statutory reserves	—	13,361	13,361
Balance at 31 December 2023 and 1 January 2024	109,943	23,198	133,141
Appropriation to statutory reserves	—	14,391	14,391
Balance at 31 December 2024	109,943	37,589	147,532

(b) Retained earnings

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
At the beginning of the year	196,218	75,977
Profit for the year	143,914	133,602
Dividends	(45,240)	—
Appropriation to statutory reserves	(14,392)	(13,361)
At the end of the year	280,500	196,218

40 CONTINGENCIES

The Group did not have any material contingent liabilities as at 31 December 2024 (2023: nil).

41 SUBSEQUENT EVENTS

The Group does not have any significant subsequent events after 31 December 2024 and up to the date of this report which may result in adjustment or addition disclosure in these consolidated financial statements.

Notes to the Consolidated Financial Statements

42 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2024, all of which are limited liability companies:

Company name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Wise Living Energy Technology Company Limited (慧居能源科技有限公司) (“ Wise Living Energy ”)	PRC	Investment holding, the PRC	Registered and paid up capital of RMB150,000,000	100%
Wise Living Times (Beijing) Technology Company Limited (慧居時代(江蘇)技術有限公司)	PRC	Technical services, the PRC	Registered and paid up capital of RMB1,000,000	100%
Wiseprosper Holding Limited (慧盈控股有限公司)	HK	Investment holding, the HK	Registered capital of HK\$100,000 and paid up capital of nil	100%
Shanxi Shuangliang Renewable Energy Industry Group Company Limited (山西雙良再生能源產業集團有限公司) (“ Shanxi Shuangliang Renewable Energy ”)	PRC	Investment holding, design and maintenance services, the PRC	Registered and paid up capital of RMB30,000,000	51%
Taiyuan City Renewable Energy Heat Supply Company Limited (太原市再生能源供熱有限公司) (“ Taiyuan Renewable Energy ”)	PRC	Heat supply, construction services and rental services, the PRC	Registered and paid up capital of RMB200,000,000	51%
Lvliang City Renewable Energy Heat Supply Company Limited (呂梁市再生能源供熱有限公司)	PRC	Heat supply, the PRC	Registered and paid up capital of RMB5,000,000	46%
Datong City Renewable Energy Heating Company Limited (大同市再生能源供熱有限公司)	PRC	Heat supply and construction services, the PRC	Registered and paid up capital of RMB5,000,000	36%
Shanxi Transformation and Comprehensive Reform Demonstration Zone Heat Supply Company Limited (山西轉型綜合改革示範區供熱有限公司) (“ Shanxi Demonstration Zone Heat Supply ”)	PRC	Heat supply, the PRC	Registered and paid up capital of RMB100,000,000	51%
Shanxi Smart Life Property Service Company Limited (山西惠生活物業服務有限公司)	PRC	Property management services, the PRC	Registered capital of RMB1,000,000 and paid up capital of nil	51%
Shuozhou City Renewable Energy Thermal Company Limited (朔州市再生能源熱力有限公司) (“ Shuozhou Renewable Energy ”)	PRC	Heat supply, the PRC	Registered and paid up capital of RMB150,000,000	51%
Shanxi Shuangliang Carbon Trading Management Company Limited (山西雙良碳交易管理有限公司)	PRC	Carbon asset operation and management services, the PRC	Registered capital of RMB10,000,000 and paid up capital of nil	51%
Shanxi Shuangliang New Energy Thermolectric Engineering Design Company Limited (山西雙良新能源熱電工程設計有限公司) (“ Shanxi Shuangliang New Energy ”)	PRC	Design services, the PRC	Registered capital of RMB8,000,000 and paid up capital of nil	51%

Notes to the Consolidated Financial Statements

42 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2024, all of which are limited liability companies:
(Continued)

Company name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Gansu Shuangliang Energy System Investment Company Limited (甘肅雙良能源系統投資有限公司) ("Gansu Shuangliang")	PRC	Investment holding, the PRC	Registered and paid up capital of RMB10,000,000	80%
Lanzhou New Area Shuangliang Thermal Power Company Limited (蘭州新區雙良熱力有限公司) ("Lanzhou Shuangliang")	PRC	Heat supply, the PRC	Registered and paid up capital of RMB20,000,000	80%
Gansu Shuangliang Smart Energy Management Company Limited (甘肅雙良智慧能源管理有限公司) ("Gansu Smart Energy")	PRC	Energy management services, the PRC	Registered and paid up capital of RMB10,000,000	80%
Hulunbuir Shuangliang Energy System Company Limited (呼倫貝爾雙良能源系統有限公司) ("Hulunbuir Shuangliang")	PRC	Heat supply, the PRC	Registered and paid up capital of RMB10,000,000	85%
Zhengzhou Wise Living Thermal Power Company Limited (鄭州慧居熱力有限公司) ("Zhengzhou Wise Living")	PRC	Heat supply, the PRC	Registered capital of RMB30,000,000 and paid up capital of nil	100%
Wise Living Energy (Baotou) Limited (慧居能源(包頭)有限公司)	PRC	Heat supply, the PRC	Registered capital of RMB10,000,000 and paid up capital of nil	100%
Wise Living Tech-Thermal Power (Zhengzhou) Company Limited (慧居科技熱力(鄭州)有限公司)	PRC	Heat supply, the PRC	Registered capital of RMB50,000,000 and paid up capital of RMB40,000,000	80%
Taixin Renewable Energy Heating (Shanxi) Company Limited (太忻再生能源供熱(山西)有限公司)	PRC	Heat supply, the PRC	Registered capital of RMB50,000,000 and paid up capital of nil	51%
Shanxi Xixian Shuangliang Low Carbon Environmental Clean Energy Company Limited (山西省隰縣雙良低碳環保清潔能源有限公司)	PRC	Heat supply, the PRC	Registered capital of RMB8,000,000 and paid up capital of nil	51%
Huijiu Energy (Jilin) Company Limited (慧居能源(吉林)有限公司) (Note (a))	PRC	Heat supply, the PRC	Registered capital of RMB20,000,000 and paid up capital of nil	72%
Huiju Green Energy Investment (Jiangyin) Company Limited (慧居綠能投資(江陰)有限公司) (Note (a))	PRC	Heat supply, the PRC	Registered capital of RMB10,000,000 and paid up capital of nil	100%

(a) The subsidiary is newly established by the Group during the year.

Notes to the Consolidated Financial Statements

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

43.1 Principles of consolidated and equity accounting

(a) *Subsidiaries*

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of changes in equity and statements of financial position, respectively.

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(c) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("**OCI**") of the investee in OCI. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of such entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 17(e)(iii).

Notes to the Consolidated Financial Statements

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

43.1 Principles of consolidated and equity accounting (Continued)

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

43.2 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprised the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Notes to the Consolidated Financial Statements

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.2 Business combination *(Continued)*

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

43.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

43.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

43.5 Foreign currency translation

(a) **Functional and presentation currency**

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Notes to the Consolidated Financial Statements

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation, net of accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

	Useful lives
Buildings	30 years
Pipeline and heating equipment	20 years
Machinery and equipment	5–20 years
Transportation equipment	5 years
Office and electronic equipment	3 years
Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'other losses — net' in the consolidated statements of comprehensive income.

Construction in progress represents machinery and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to the Consolidated Financial Statements

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

43.8 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Revenue arising from the provision and distribution of heat is recognised on a straight-line basis over the scheduled period and cash received in advance were recognised as contract liabilities.

Revenue arising from pipeline connection fees is recognised on a straight-line basis over the Operation Period and cash received in advance were recognised as contract liabilities.

43.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

43.10 Trade and other receivables

Trade receivables are amounts due from customers for services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less allowance for impairment.

Notes to the Consolidated Financial Statements

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.11 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

43.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

43.13 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

When there is a benefit of a government loan that is granted at a below-market interest rate, the benefit is treated as a government grant.

43.14 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade payables and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting date. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

43.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loans to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fees are deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fees are capitalised as a prepayment for liquidity services and amortised over the period of the facilities to which they relate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting period.

Notes to the Consolidated Financial Statements

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

43.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment relating to specific borrowings pending their expenditures on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

43.17 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(b) Employment obligations

Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans and other employee social security plans, including pension, medical, other welfare benefits, organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

Notes to the Consolidated Financial Statements

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

43.17 Employee benefits (Continued)

(b) Employment obligations (Continued)

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

43.18 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (if any).

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

43.19 Interest income

Interest income from financial assets at fair value through profit or loss is included in the gains on these assets, see Note 7 above.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as finance income, see Note 10 above.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 above.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

43.20 Leases

The Group as the lessee

The Group leases various land and properties for its operations. Rental contracts are typically made for fixed periods of 1 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.20 Leases *(Continued)*

The Group as the lessee *(Continued)*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

The Group as the lessor

Rental income from operating leases where the Group is a lessor is recognised in other income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statements of financial position based on their nature.

Finance leases, which effectively transfer to the lessee substantially all the risks and rewards of ownership of the asset, are recognised at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease receipts are apportioned between the finance income and reduction of the leased asset so as to achieve a constant rate of interest on the remaining balance of the asset. Finance income is charged directly to profit or loss.

43.21 Dividend

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Notes to the Consolidated Financial Statements

43 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES *(Continued)*

43.22 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under IFRS 9, 'Financial Instruments', and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees on initial recognition equals the present value of the premium in an arm's length transaction.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Particulars of Property Held for Investment

For the year ended 31 December 2024

Save as disclosed in the Prospectus, a summary of the property acquired by the Group after Listing and held for investment as at 31 December 2024 is set out below:

Location	Usage	Lease term of land	Approximate Gross Floor Area (sq.m.)
Ruiling Mingjun No. 26 office building situated at north of Zhongchuan Street (Weisan Road) and east of Xinlongshan Road (Jingshi Road), Lanzhou New Area, Lanzhou* (蘭州新區中川街(緯三路)以北、興隆山路(經十路)以東)	Commercial service uses	Medium ^(Note 2)	20,441.70

Notes:

- (1) Insignificant properties held for investment are not included.
- (2) Medium is defined as the term of land use right granted remaining unexpired at the end of the financial year is less than 50 years but not less than 10 years.

Financial Summary

A summary of the published results and assets and liabilities of the Group for the latest five financial years, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,648,287	1,534,035	1,443,732	1,290,635	1,376,321
Gross profit	459,254	394,166	296,881	313,666	291,390
Profit before income tax	288,591	282,150	186,336	206,731	143,927
Income tax expense	(51,172)	(55,316)	(45,961)	(35,671)	(45,611)
Profit and total comprehensive income for the year	237,419	226,834	140,375	171,060	98,316

CONSOLIDATED FINANCIAL POSITION

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	5,966,668	5,796,958	5,244,229	4,983,631	5,034,450
Total liabilities	4,537,820	4,497,953	4,321,667	4,201,235	4,421,765
Total equity	1,428,848	1,299,005	922,562	782,396	612,685

Definitions

In this annual report, unless the context otherwise requires, the below expressions shall have the following meanings : -

“AGM”	the annual general meeting of the Company to be convened and held on 16 May 2025
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Audit Committee”	the audit committee of the Board
“Baotou Project”	Baotou Tuyou New Industrial Park Chemical Concentration Zone of Inner Mongolia Autonomous Region Heat Services of Steam Supply Project* (內蒙古包頭土右新型工業園區化工集中區供熱(氣)項目), a project established pursuant to the concession agreement dated 19 September 2023 entered into between Wise Living Energy (Baotou) and the Management Committee of Baotou Tuyou New Industrial Park of Inner Mongolia Autonomous Region* (內蒙古包頭土右新型工業園區管理委員會)
“Board”	the board of Directors of the Company
“Board Committee(s)”	the Audit Committee, the Nomination Committee and the Remuneration Committee of the Board
“CG Code”	The Corporate Governance Code as set out in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“China” or “PRC”	The People’s Republic of China, excluding for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
“Company”	Wise Living Technology Co., Ltd (慧居科技股份有限公司) (stock code : 2481), a company with limited liability established in the PRC on 3 September 2010 and converted into a joint stock company with limited liability on 29 December 2015
“Corresponding Period”	the period from 1 January 2023 to 31 December 2023
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	Share(s) issued by the Company in the PRC, which are subscribed for in RMB
“EGM”	an extraordinary shareholders’ meeting of the Company
“EMC”	energy-conservation service contract
“Global Offering”	the Hong Kong public offering and the international offering

Definitions

“Group”, “we”, “us”, or “our”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of RMB1.00 each, which is/are subscribed for and traded in HK dollars and listed on the Stock Exchange
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$” or “HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hulunbair Shuangliang”	Hulunbair Shuangliang Energy System Company Limited* (呼倫貝爾雙良能源系統有限公司), a company with limited liability established in the PRC on 11 March 2013, an indirect non wholly-owned subsidiary of the Company
“IFRS”	International Financial Reporting Standards
“Jiangsu Lichuang”	Jiangsu Lichuang New Energy Company Limited* (江蘇利創新能源有限公司), a company with limited liability established in the PRC on 24 December 1997 which is one of the controlling shareholders of the Company
“Jiangyin Hotel”	Jiangyin International Grand Hotel Company Limited* (江陰國際大酒店有限公司), a company with limited liability established in the PRC on 24 December 1997 which is a connected person of the Company
“Lanzhou Shuangliang”	Lanzhou New Area Shuangliang Thermal Power Company Limited* (蘭州新區雙良熱力有限公司), a company with limited liability established in the PRC on 31 July 2013, an indirect non wholly-owned subsidiary of the Company
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange on Monday, 10 July 2023
“Listing Date”	Monday, 10 July 2023, being the date on which the H Shares were listed on the Stock Exchange and from which dealings in the H Shares are permitted to take place on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules

Definitions

“Nomination Committee”	the nomination committee of the Board
“Prospectus”	the prospectus of the Company dated 28 June 2023
“PRC Company Law”	The Company Law of the PRC (《中華人民共和國公司法》) which was promulgated on 29 December 1993 and became effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	The China Accounting Standards (企業會計準則) as promulgated and amended from time to time and their interpretations, guidelines and implementation rules, which collectively are accepted as generally accepted accounting principles in the PRC
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	The period from 1 January 2024 to 31 December 2024
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanxi Shuangliang Renewable Energy”	Shanxi Shuangliang Renewable Energy Industry Group Company Limited* (山西雙良再生能源產業集團有限公司), a company with limited liability established in the PRC on 15 February 2006, an indirect non wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of RMB1.00, comprising the 301,600,000 H Shares
“Shareholder(s)”	holder(s) of the Shares
“Shuangliang Boiler”	Jiangsu Shuangliang Boiler Company Limited* (江蘇雙良鍋爐有限公司), a company with limited liability established in the PRC on 30 March 2000 which is a connected person of the Company
“Shuangliang Eco-Energy”	Shuangliang Eco-Energy Systems Co., Ltd* (雙良節能系統股份有限公司), a joint stock company with limited liability established in the PRC on 5 October 1995 and listed on the Shanghai Stock Exchange (stock code : 600481.SH) which is a connected person of the Company

Definitions

“Shuangliang Eco-Energy Group”	Shuangliang Eco-Energy and its subsidiaries from time to time
“Shuangliang Eco-Energy Sales Branch”	Shuangliang Eco-Energy Systems Company Limited Sales Branch* (雙良節能系統股份有限公司銷售分公司), a sales branch of Shuangliang Eco-Energy established on 19 June 2001
“Shuangliang Group Co.”	Shuangliang Group Company Limited* (雙良集團有限公司), a company with limited liability established in the PRC on 25 December 1987 which is a connected person of the Company as defined under Chapter 14A of the Listing Rules
“Shuangliang Technology”	Jiangsu Shuangliang Technology Company Limited* (江蘇雙良科技有限公司), a company with limited liability established in the PRC on 18 December 1997 which is one of the controlling shareholders of the Company
“Sinopec New Star”	Sinopec New Star Shuangliang Geothermal Thermal Power Company Limited* (中石化新星雙良地熱能熱電有限公司), a company with limited liability established in the PRC on 17 September 2014 which is an associate of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Xinmi Project”	Xinmi City Centralised Heat Services Project (新密市集中供熱項目)
“Wise Living Energy (Baotou)”	Wise Living Energy (Baotou) Company Limited* (慧居能源(包頭)有限公司), a company with limited liability established in the PRC on 26 November 2020, an indirect wholly-owned subsidiary of the Company
“%”	percent

* For identification purposes only



慧居科技

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Wise Living Technology Co., Ltd

