



Jilin Province Chuncheng Heating Company Limited *

吉林省春城热力股份有限公司

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

Stock code : 1853



INTERIM REPORT 2025

* For identification purpose only

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CORPORATE INFORMATION

CORPORATE INFORMATION

Name in Chinese: 吉林省春城熱力股份有限公司
Name in English: Jilin Province Chun Cheng Heating Company Limited*
Registered Address: Block 28, Area B, Nanhu Road Community, 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, PRC
Headquarter/ Principal Place of Business in PRC: Block 28, Area B, Nanhu Road Community, 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, PRC
Place of Business in Hong Kong: 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Company's Website: www.cc-tp.com.cn
Email: ccrl-zqb@ccrljt.com

INFORMATION OF H SHARE OF THE COMPANY

Stock Short Name: CHUNCHENG HEAT
Stock Code: 1853

EXECUTIVE DIRECTORS

Mr. ZHANG Liming (Vice Chairman of the Board) (appointed with effect from 16 May 2025)
Mr. XU Chungang
Mr. LI Yeji (resigned on 16 April 2025)
Mr. SHI Mingjun (resigned on 28 March 2025)

NON-EXECUTIVE DIRECTORS

Mr. SONG Chi (Chairman of the Board)
Mr. YANG Zhongshi (re-designated as a non-executive Director on 28 March 2025)
Mr. SHI Mingjun (appointed as a non-executive Director with effect from 16 May 2025)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. ZHANG Yan
Ms. DU Jie (appointed as an independent non-executive Director with effect from 16 May 2025)
Mr. CHAN Sing Fai (appointed as an independent non-executive Director with effect from 16 May 2025)
Mr. FU Yachen (retired on 16 May 2025)
Mr. POON Pok Man (retired on 16 May 2025)

EMPLOYEE DIRECTOR

Mr. QIU Jianhua (appointed as an employee Director with effect from 16 May 2025)

AUTHORIZED REPRESENTATIVES

Mr. XU Chungang
Mr. WAN Tao

AUDIT COMMITTEE

Mr. CHAN Sing Fai (Chairman) (appointed with effect from 16 May 2025)
Mr. YANG Zhongshi (appointed with effect from 16 May 2025)
Ms. ZHANG Yan
Mr. POON Pok Man (retired on 16 May 2025)
Mr. FU Yachen (retired on 16 May 2025)

REMUNERATION COMMITTEE

Ms. DU Jie (Chairman) (appointed with effect from 16 May 2025)
Mr. XU Chungang
Mr. CHAN Sing Fai (appointed with effect from 16 May 2025)
Mr. POON Pok Man (retired on 16 May 2025)
Mr. FU Yachen (retired on 16 May 2025)



CORPORATE INFORMATION

NOMINATION COMMITTEE

Ms. ZHANG Yan (*Chairman*)
Mr. SHI Mingjun (*appointed with effect from 16 May 2025*)
Ms. DU Jie (*appointed with effect from 16 May 2025*)
Mr. YANG Zhongshi (*resigned on 16 May 2025*)
Mr. FU Yachen (*retired on 16 May 2025*)

STRATEGY COMMITTEE

Mr. SONG Chi (*Chairman*)
Mr. ZHANG Liming (*appointed with effect from 16 May 2025*)
Mr. QIU Jianhua (*appointed with effect from 16 May 2025*)
Ms. ZHANG Yan (*resigned on 16 May 2025*)
Mr. SHI Mingjun (*resigned on 28 March 2025*)

JOINT COMPANY SECRETARIES

Mr. WAN Tao
Mr. LEE Chung Shing

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

AUDITOR

BDO China SHU LUN PAN Certified Public
Accountants LLP
4F, No.61, East Nanjing Road,
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LEGAL ADVISERS

as to Hong Kong law: Loeb & Loeb LLP
2206–19 Jardine House,
1 Connaught Place,
Central,
Hong Kong
as to PRC law: Jilin ZhengJi Law Firm*
(吉林正基律師事務所)
No.1 Fuzhi Road, Jingyue Economic
Development Zone, Changchun City,
Jilin Province, PRC

PRINCIPAL BANKS

Jilin Jiutai Rural Commercial Bank (XinJia Branch)
Bank of Jilin Co., Ltd. (Qinhuangdao Road Branch)
Bank of China Co., Ltd. (Nanhu Road Branch)
Bank of China Co., Ltd. (Jiefang Road Branch)
Bank of Communications Co., Ltd. (Chaoyang Branch)
Bank of Jilin Co., Ltd. (Changchun FAW Branch)
Industrial and Commercial Bank of China Limited
(People's Square Branch)



INTERIM FINANCIAL SUMMARY

SUMMARY OF COMBINED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2025

Item in Combined Income Statement	January to June 2025 RMB0'000 (Unaudited)	January to June 2024 RMB0'000 (Unaudited)
Operating revenue	93,513.43	90,662.93
Total profit	14,363.57	20,061.72
Income tax expenses	3,673.23	5,247.52
Net profit	10,690.34	14,814.20
Minority interests	—	—

SUMMARY OF COMBINED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2025

Item in Combined Statement of Financial Position	30 June 2025 RMB0'000 (Unaudited)	31 December 2024 RMB0'000 (Audited)
Total non-current assets	109,076.02	106,903.13
Total current assets	137,735.49	267,680.47
Total assets	246,811.51	374,583.61
Total non-current liabilities	11,511.63	12,370.21
Total current liabilities	120,293.55	257,897.41
Total liabilities	131,805.19	270,267.63
Total shareholder's equity	115,006.32	104,315.98



MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

In the first half of 2025, the Group continued to uphold the philosophy of development through innovation and actively enhanced resources allocation. The Group also vigorously carried out energy conservation measures, coordinated development and safety with a focus on promoting the high-quality development of heat supply and production businesses, and successfully accomplished various tasks and missions during the first half of the year.

(1) Heat Supply Business

As at 30 June 2025, the Group had a heat service area of 69.826 million sq.m., representing an increase of 2.389 million sq.m. or 3.54% from 67.437 million sq.m. in the corresponding period of 2024. As for the number of heat supply users, as at 30 June 2025, the Group had 572,273 heat supply users, representing an increase of 19,825 users or 3.59% from 552,448 users in the corresponding period of 2024. For the six months ended 30 June 2025, the Group's revenue from heat supply business was RMB926.33 million, representing an increase of RMB26.01 million or 2.89% from RMB900.32 million in the corresponding period of 2024.

1. Customers

Customers of the Group's heat supply business are generally residential and non-residential users within the Group's heat service area. The table below sets out a breakdown of the number of, and revenue contribution by, residential and non-residential users of the Group as at 30 June 2025.

	As at 30 June 2025		As at 30 June 2024	
	Number of customers	% of revenue from provision and distribution of heat	Number of customers	% of revenue from provision and distribution of heat
Residential users ⁽¹⁾	505,761	88.38%	493,789	89.38%
Non-residential users ⁽²⁾	66,512	11.62%	58,659	10.62%
Total	572,273	100%	552,448	100%

Notes:

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

2. Heat procurement

For the six months ended 30 June 2025, the total heat procurement by the Group from local cogeneration plants and its controlling Shareholder, Changre Group, amounted to 12.21 million GJ and 0.2 million GJ respectively, with a total heat procurement of 12.41 million GJ, among which 11.28 million GJ of heat was used for the Company's heat supply and production purposes.



MANAGEMENT DISCUSSION AND ANALYSIS

3. Heat resale

For the six months ended 30 June 2025, approximately 1.13 million GJ of heat procurement quota obtained from cogeneration plants and Changre Group, the controlling Shareholder, by the Group was transferred to four other heat service providers. The Group received heat

transmission fees aggregating RMB6.30 million from these four heat service providers.

The following table sets forth the breakdown of the usage data of heat procured by the Group between January to June 2025 and in the corresponding period of 2024:

	January to June 2025	January to June 2024
Estimated heat procurement quota (GJ) ⁽¹⁾	13,670,000	13,900,000
Heat procurement quota transferred (GJ) ⁽²⁾	1,128,955	1,152,499
Actual consumption (GJ) ⁽³⁾	11,282,780	11,557,948
Total heat procured (GJ) ⁽⁴⁾	12,411,736	12,710,447
Utilization rate ⁽⁵⁾	82.54%	83.15%

Notes:

- (1) The heat procurement quota is an estimate of the heat procurement prior to each heat supply period based on the historical heat procurement amount.
- (2) During the Reporting Period, the Group transferred a certain portion of its procured heat to four other heat service providers. Heat transmission fees were charged accordingly.
- (3) Actual consumption of heat procured by the Group represents the aggregate amount of actual heat supply and consumption data each month as recorded by measuring equipment, and the amount that is reviewed and agreed between the Group and four different local cogeneration plants and Changre Group, the controlling shareholder, respectively.
- (4) The total heat procured is the sum of heat procurement quota transferred and the actual consumption. Procurement of heat exceeding the estimated heat procurement quota is subject to the supplemental agreements between the cogeneration plants and the Group.
- (5) Utilization rate of heat procurement is calculated by dividing the actual consumption by the estimated heat procurement quota.

(2) Construction, Maintenance and Design Services and Others

The Group's business of construction, maintenance, design and others covers the peripheral services business of the heat supply industry chain, mainly providing services such as construction and building of heat supply facilities, engineering maintenance and project design for heat supply enterprises or end-users. These businesses are mainly concentrated in the northeast region of China. For the six months ended 30 June 2025, revenue generated from the Group's construction, maintenance, design services and other businesses amounted to RMB8.80 million, representing an increase of RMB2.49 million, or 39.60%, from RMB6.31 million for the corresponding period in 2024.



MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of the year, the engineering construction business undertook a total of 15 projects, including key projects such as the Pipeline Network Project in Changchun Aerospace Expo Park (長春航空博覽公園管網工程) and the Lot 8 of the Internal and External Network Section for the Second-Phase Renovation Project of Secondary Water Supply Facilities in Changchun City (長春市二次供水設施改造二期工程內外網部分八標段). In the first half of the year, the engineering maintenance business undertook a total of 2 projects, both being Primary Network Emergent Repair (一次網搶修項目). In the first half of the year, the design services business undertook 9 design projects, including key projects such as the Design of Primary Network Outside the Red Line for the Infrastructure Construction Project of the Digital Economy Innovation and Entrepreneurship Industrial Park in Erdao District (二道區數字經濟雙創產業園基礎設施建設項目紅綫外供熱一次網工程設計), EPC Turnkey Contract for District-Wide Centralized Heating System Construction Project in Dehui City (德惠市成片建設集中供熱專案EPC工程總承包).

(3) Safety Management

In the first half of 2025, the Group had been attaching great importance to safety production, fully implemented the decisions and deployments of the governments at all levels on production safety, rigorously enforced the “three controls and three musts” principle among all managerial and safety personnel. Through persistent efforts to strengthen safety oversight, the Group maintained a stable and improving safety performance, ensuring the successful completion of the annual safety targets. During the Reporting Period, the Group did not record any major safety accidents.

(4) Technology and R&D

In the first half of 2025, the Group continuously deepened its environmental facility upgrades by conducting SCR ultra-low emission retrofit trials on 15 boilers across three boiler plants. Test results confirmed that all boilers now meet China’s Ultra-Low Emission Standards. These upgrades are projected to deliver a 60% reduction in particulate matter emissions and a 65% cut in sulfur dioxide and nitrogen oxides emissions during the 2025–2026 heat supply period, marking a substantial leap in environmental protection management standards.

The Group has developed the “Equipment Ledger Management System” (設備台賬管理系統) based on the actual needs of equipment management, which was fully optimized and officially put into use in the first half of 2025. At the same time, the Group implemented an equipment QR coding initiative, installing information tags with scannable QR codes on over 20,000 pieces of equipment. This allows instant access to technical documentation through code scanning, significantly enhancing both the precision and efficiency of equipment management.

During the Reporting Period, the Group obtained 2 utility model patents issued by the China National Intellectual Property Administration.



MANAGEMENT DISCUSSION AND ANALYSIS

II. FINANCIAL POSITION AND OPERATING RESULTS

(1) Revenue

For the six months ended 30 June 2025, the Group's revenue was RMB935,134.3 thousand, compared to RMB906,629.3 thousand for the corresponding period of 2024, representing an increase of 3.14%, primarily due to the increase in revenue from the heat supply business.

The respective segment revenue of the Group is set out as follows:

	For the six months ended 30 June		Change in percentage
	2025 RMB0'000 (Unaudited)	2024 RMB0'000 (Unaudited)	
Heat supply, of which:			
– Heating fee income	88,492.36	85,999.63	2.90%
– Pipeline connection fee	3,510.82	3,362.49	4.41%
– Pipeline transmission fee	630.01	670.27	–6.01%
Sub-total	92,633.19	90,032.39	2.89%
Construction, maintenance and design services, of which:			
– Engineering construction	571.05	189.54	201.28%
– Engineering maintenance	0.69	254.14	–99.73%
– Design services	10.06	167.68	–94.00%
– Others	298.44	19.18	1,456.00%
Sub-total	880.24	630.54	39.60%
Total	93,513.43	90,662.93	3.14%



MANAGEMENT DISCUSSION AND ANALYSIS

(2) Other Income and Other Net Gains

For the six months ended 30 June 2025, the Group's other income and other net gains amounted to RMB15,537.9 thousand, as compared with RMB11,595.7 thousand for the corresponding period of 2024, representing an increase of 34.00%, which was principally attributable to (i) other income of RMB4,127.8 thousand for the six months ended 30 June 2025, as compared with RMB2,804.2 thousand for the corresponding period of 2024, representing an increase of 47.20%, which was attributable to an increase in other income as a result of the fact that the Company received more government grant, including heat supply subsidy for January to June in 2025, as compared to the corresponding period of 2024; (ii) interest income

from bank deposits of RMB11,383.8 thousand for the six months ended 30 June 2025, as compared with RMB8,763.4 thousand for the corresponding period of 2024, representing an increase of 29.90%, which was attributable to the increase in interest income as a result of an increase in bank deposits of the Company during the period from January to June in 2025.

(3) Operating Costs

For the six months ended 30 June 2025, the Group's operating costs amounted to RMB745,469.3 thousand, as compared with RMB686,590.8 thousand for the corresponding period of 2024, representing an increase of 8.58%. The following table sets out the breakdown of operating costs by business segment:

	For the six months ended 30 June		
	2025	2024	Change in percentage
	RMB0'000 (Unaudited)	RMB0'000 (Unaudited)	
Operating costs by business segment			
Heat supply	73,521.52	68,032.99	8.07%
Construction, maintenance and design services	1,025.41	626.10	63.78%
Total	74,546.93	68,659.08	8.58%



MANAGEMENT DISCUSSION AND ANALYSIS

Heat supply costs

Operating costs for heat supply business primarily consists of heat procurement costs in connection with heat procurement from local cogeneration plants, repair and labor costs (primarily includes

wages, salaries and benefits for the Group's employees involved in the provision and distribution of heat) and utility costs.

The breakdown of operating costs by component under the heat supply business is as follows:

For the six months ended 30 June			
	2025	2024	
	RMB0'000	RMB0'000	Change in
	(Unaudited)	(Unaudited)	percentage
Cost of sales for heat supply, of which:			
Heat procurement costs	43,695.97	41,977.82	4.09%
Coal	4,613.22	2,077.11	122.10%
Maintenance and repair	689.60	686.36	0.47%
Labor	7,683.60	7,664.11	0.25%
Depreciation and amortization	6,905.98	6,412.17	7.70%
Utility	4,937.60	4,478.63	10.25%
Input VAT transferred out	2,974.63	2,879.11	3.32%
Others	2,020.91	1,857.67	8.79%
Total	73,521.52	68,032.99	8.07%

For the six months ended 30 June 2025, the Group's heat procurement cost was RMB436,959.7 thousand as compared to RMB419,778.2 thousand for the corresponding period of 2024, representing an increase of 4.09%, which was mainly due to the increase in consumption of heat as a result of the increase in heat service area.

For the six months ended 30 June 2025, the Group's coal cost was RMB46,132.2 thousand, as compared to RMB20,771.1 thousand for the corresponding period of 2024, representing an increase of 122.10%, which was mainly due to the increase in coal consumption as a result of the addition of new coal-fired and the peak-shaving boilers by the Group in the current period.

For the six months ended 30 June 2025, the Group's maintenance and repair costs amounted to RMB6,896.0 thousand, as compared to RMB6,863.6 thousand for the corresponding period of 2024, representing an increase of 0.47%, which remained largely stable as compared with the previous period.

For the six months ended 30 June 2025, the Group's depreciation and amortization costs amounted to RMB69,059.8 thousand, as compared to RMB64,121.7 thousand for the corresponding period of 2024, representing an increase of 7.70%, which was mainly due to new fixed asset investments made by the Group in the previous and current periods, resulting in higher depreciation expenses.



MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2025, the Group's utility cost was RMB49,376.0 thousand as compared to RMB44,786.3 thousand for the corresponding period of 2024, representing an increase of 10.25%, which was mainly due to the continued increase in heat service area of the Group, resulting in a corresponding increase in water and electricity consumption.

For the six months ended 30 June 2025, the Group's cost of input VAT transferred out was RMB29,746.3 thousand as compared to RMB28,791.1 thousand for the corresponding period of 2024, representing an increase of 3.32%. This was mainly due to the continued increase in heat service area of the Group and the increase in heat procurement, which led to an increase in input VAT transferred out.

For the six months ended 30 June 2025, the Group's other cost amounted to RMB20,209.1 thousand, as compared to RMB18,576.7 thousand for the corresponding period of 2024, representing an increase of 8.79%, which was mainly due to the increase in recognition of costs related to digital intelligence integration projects for heat supply and office consumables in the current period.

Costs for construction, maintenance and design services

Operating costs for construction, maintenance and design services primarily consists of cost of materials, labor, machinery and other costs. For the six months ended 30 June 2025, the Group's operating costs for construction, maintenance and design services amounted to RMB10,254.1 thousand, as compared with RMB6,261.0 thousand for the corresponding period of 2024, representing an increase of 63.78%. The change in operating costs was generally in line with the increase in revenue for construction, maintenance and design services.

(4) Gross Profit and Gross Profit Margin

For the six months ended 30 June 2025, the Group's gross profit amounted to RMB189,665.0 thousand, as compared with RMB220,038.4 thousand for the corresponding period of 2024, representing a decrease of 13.80%. This was mainly due to the addition of new coal-fired and the peak-shaving boilers by the Group in the current period, which increased the proportion of coal heating supply and led to higher costs.

(5) Administrative Expenses

For the six months ended 30 June 2025, the Group's administrative expenses amounted to RMB42,703.1 thousand, as compared with RMB43,227.2 thousand for the corresponding period of 2024, representing a decrease of 1.21%, which remained largely stable as compared with the previous period.

(6) Finance Costs

For the six months ended 30 June 2025, the Group's finance costs amounted to RMB9,397.9 thousand, as compared with RMB1,721.0 thousand for the corresponding period of 2024, representing an increase of 446.07%. This was principally due to the increase in bank loans compared to the previous period, which led to an increase in interest expenses.

(7) Income Tax Expense

For the six months ended 30 June 2025, the Group's income tax expense was RMB36,732.3 thousand, as compared with RMB52,475.2 thousand for the corresponding period of 2024, representing a decrease of 30.00%, which was primarily due to the decrease in total profit in the current period.



MANAGEMENT DISCUSSION AND ANALYSIS

(8) Profit for the Period

For the six months ended 30 June 2025, the Group's profit for the period amounted to RMB106,903.4 thousand, as compared with RMB148,142.0 thousand for the corresponding period of 2024, representing a decrease of 27.84%. This was primarily due to the fact that (i) gross profit in the current period decreased by RMB30,073.4 thousand compared with the same period last year; and (ii) an additional bad debt provision of RMB23,835.1 thousand was made in the current period as compared to the same period last year.

(9) Profit Attributable to Owners of the Company

For the six months ended 30 June 2025, profit attributable to owners of the Company was RMB106,903.4 thousand as compared with RMB148,142.0 thousand for the corresponding period of 2024, representing a decrease of 27.84%. Profit attributable to owners of the Company was in line with profit for the period.

(10) Liquidity and Capital Resources

As at 30 June 2025, the Group had cash and cash equivalents of RMB460,363.6 thousand, representing a decrease of 16.88% as compared with the balance of RMB553,826.0 thousand as at 31 December 2024. Such change was mainly due to the addition of new coal-fired and the peak-shaving boilers by the Group in the current period, which increased the proportion of coal heating supply and led to an increase in costs.

(11) Capital Expenditure

For the six months ended 30 June 2025, the Group's capital expenditure amounted to RMB124,029.9 thousand, as compared with RMB60,160.0 thousand for the corresponding period of 2024, representing an increase of 106.17%. This was mainly due to an increase in capital expenditure resulting from the purchase of coal-fired boilers from the controlling Shareholder in the current period.

(12) Capital Structure

As at 30 June 2025, the equity attributable to owners of the Group amounted to RMB1,150,063.2 thousand, representing an increase of RMB106,903.4 thousand as compared with 31 December 2024. This was mainly due to the increase in profit during the period. As at 30 June 2025, the Group's total interest-bearing bank and other borrowings amounted to approximately RMB548,000.0 thousand at a fixed interest rate from 3.2% to 3.9% per annum.

Gearing ratio is the percentage of total interest-bearing liabilities (including interest-bearing bank and other borrowings and lease liabilities), net of cash and cash equivalents, to total equity at the end of each financial period. As at 30 June 2025, the Group's cash and cash equivalents exceeded the Group's total interest-bearing liabilities.

(13) Material Acquisitions and Disposals

On 15 January 2025, the Company completed an acquisition of certain buildings, coal-fired boiler and ancillary equipment used for heat production purposes from Changre Group, at a consideration of RMB82,886,461.00 (the "**Previous Acquisition**"). Please refer to the Company's circular dated 9 December 2024 and the Company's announcement dated 15 January 2025 for further details.



MANAGEMENT DISCUSSION AND ANALYSIS

The following agreements have been entered into by the Group for the purpose of acquiring certain heat production assets from the Controlling Shareholder Group:

(a) **Acquisition of assets by the Company from Changre Group (the “Proposed Acquisition I”)**

On 16 June 2025, the Company and Changre Group entered into an assets transfer agreement which was supplemented by the first supplemental agreement dated 31 July 2025 and the second supplemental agreement dated 15 August 2025 (collectively, the **“Assets Transfer Agreement I”**), pursuant to which the Company has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell (i) 2 land parcels (with 3 sets of land ownership certificates); (ii) 2 pipes and trenches; (iii) 385 machineries and equipment and electronic equipment; and (iv) 1 vehicle at a consideration of RMB113,930,021.65.

(b) **Acquisition of assets by Yatai Heating from Changre Group (the “Proposed Acquisition II”)**

On 16 June 2025, Yatai Heating and Changre Group entered into an assets transfer agreement which was supplemented by a supplemental agreement dated 15 August 2025, pursuant to which Yatai Heating has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell 326 machineries and equipment at a consideration of RMB16,457,865.00.

(c) **Acquisition of assets by the Company from Jilin Heating (the “Proposed Acquisition III”)**

On 16 June 2025, the Company and Jilin Heating entered into an assets transfer agreement, pursuant to which the Company has conditionally agreed to purchase, and Jilin Heating has conditionally agreed to sell 51 machineries and equipment at a consideration of RMB475,980.76.

Each of the Proposed Acquisition I, the Proposed Acquisition II and the Proposed Acquisition III constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. In addition, the Proposed Acquisition I, the Proposed Acquisition II and the Proposed Acquisition III when aggregated with the Previous Acquisition constitute a major transaction of the Company pursuant to Chapter 14 of the Listing Rules.

Completion of the Proposed Acquisition I, the Proposed Acquisition II and the Proposed Acquisition III are subject to the fulfilment of certain conditions.

As at the date of this report, none of the Proposed Acquisition I, the Proposed Acquisition II and the Proposed Acquisition III has been completed.

Please refer to the Company’s announcements dated 16 June 2025, 31 July 2025 and 15 August 2025 and circular dated 25 August 2025 for further details.

Save as disclosed above, during the six months ended 30 June 2025, the Group did not have any material acquisitions and disposals.



MANAGEMENT DISCUSSION AND ANALYSIS

(14) Charge on Assets

As at 30 June 2025, the Group did not have any charge on assets.

(15) Contingencies

As at 30 June 2025, the Group did not have any material contingencies.

III. PROSPECT FOR THE SECOND HALF OF 2025

In the second half of the year, the Group will steadfastly implement its annual production and operation policies with a focus on the target of improving the quality of heat supply and reasonably reducing energy consumption. Through conducting meticulous planning and advancing all tasks with rigorous execution, we will focus on the following three priority areas:

(i) To focus on the core heat supply business and to solidify the foundation of service

Continue to delve deeply into the core heat supply business, ensuring comprehensive stability in production operations and optimizing user service process and quality based on customer's demand to delivering premium, efficient and caring heat supply services. Simultaneously, proactively plan and scientifically deploy winter peak-shaving coal reserves to ensure adequate and stable coal supply. Further improve the heating emergency response system to enhance the ability to address sudden heating failures, ensuring the safe and reliable operation of the heat supply system.

(ii) To strengthen energy management and to explore potential for cost reduction

Put energy management as a key link to enhance corporate efficiency and effectively reduce the energy consumption through measures such as refined management and technological innovation. Meanwhile, strengthen real-time analysis and dynamic control of key indicators such as water, electricity, heat, and coal. Make a further effort on increasing equipment maintenance and technical upgrades to enhance boiler efficiency, thereby optimizing production and operations and achieving the targets of cost reduction and fee reduction.

(iii) To accelerate project progress and to strictly observe the bottom line of safety

Increase efforts to advance key projects and optimize construction organization to ensure that all projects are implemented smoothly according to plan. Strictly enforce the safety production responsibility system and fully finalize the principle of "one post, two responsibilities". Strengthen risk classification control and hidden hazard identification and rectification, establish a routine and institutionalized safety inspection mechanism, promptly identify and eliminate safety hazards, resolutely prevent all types of safety accidents to ensure the achievement of the zero-accident target.

IV. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there is no material event after the Reporting Period.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has always been committed to enhancing its corporate governance standard and regarded corporate governance as an integral part of creating values for Shareholders. The Company has established a modern corporate governance structure which comprises a number of independently operated and effectively balanced bodies including general meetings, the Board of Directors, supervisory committee (abolished on 16 May 2025) and senior management with reference to the code provisions as set out in part 2 of the Corporate Governance Code and the requirements of the Articles of Association. The Company has also adopted the Corporate Governance Code as its own corporate governance practices.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board of the Company is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in safeguarding the interests of the Shareholders and enhancing the corporate value and accountability of the Company. The Company has applied the principles set out in the Corporate Governance Code.

Save as disclosed below, the Directors consider that the Company has complied with the applicable code provisions as set out in the Corporate Governance Code during the Reporting Period.

Prior to Mr. Yang Zhongshi's resignation on 28 March 2025, he served as an executive Director and general manager of the Company. Since Mr. Yang Zhongshi ceased to be the general manager of the Company, the role of general manager of the Company became vacant which deviated from Code Provision C.2.1 of the Corporate Governance Code. Since 16 April 2025, Mr. Zhang Liming has been appointed as the general manager of the Company, and the Company has re-complied with the requirements of Code Provision C.2.1 of the Corporate Governance Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted Appendix C3 to the Listing Rules as the Model Code for Directors and relevant employees of the Company in dealing in securities of the Company. Based on the specific enquiry made by the Company with all Directors, all Directors have confirmed that they have strictly complied with the required standard set out in the Model Code during the six months ended 30 June 2025.

The Company is not aware of any non-compliance of the Model Code by the Directors or relevant employees during the Reporting Period.

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities in relation to the preparation of financial statements and accounts of the Company and on ensuring that the financial statements of the Company are prepared in accordance with the relevant regulations and applicable accounting standards and that the financial statements of the Company are published in a timely manner.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications or appropriate accounting or relevant financial management expertise in accordance with the requirements of the Listing Rules. The independent non-executive Directors of the Company during the period from 1 January 2025 to 16 May 2025 were Mr. Fu Yachen, Mr. Poon Pok Man and Ms. Zhang Yan. Since 16 May 2025, the independent non-executive Directors of the Company are Ms. Zhang Yan, Ms. Du Jie and Mr. Chan Sing Fai.



CORPORATE GOVERNANCE REPORT

The first meeting of the independent non-executive Directors for 2025 was convened by the Company on 28 March 2025 to mainly consider the implementation of the proposals on the profit distribution for 2024 and the connected transactions for 2024.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules, the terms of reference of which are available on the websites of the Hong Kong Stock Exchange and the Company. Between 1 January 2025 to 16 May 2025, the audit committee comprised three Directors, namely Mr. Poon Pok Man (independent non-executive Director), Mr. Fu Yachen (independent non-executive Director) and Ms. Zhang Yan (independent non-executive Director). Mr. Poon Pok Man was the chairman of the audit committee. Following the retirement of Mr. Poon Pok Man and Mr. Fu Yachen as Directors on 16 May 2025, they ceased as members of the audit committee. Since 16 May 2025, the audit committee comprises three Directors, namely Mr. Chan Sing Fai (independent non-executive Director), Mr. Yang Zhongshi (non-executive Director), and Ms. Zhang Yan (independent non-executive Director). Mr. Chan Sing Fai is the chairman of the audit committee.

For the six months ended 30 June 2025, the audit committee held 1 meeting. The first meeting of the audit committee for 2025 was convened on 28 March 2025, and considered and passed the resolutions on the effectiveness of the Company's financial controls, internal controls and risk management, the report of financial final accounts for 2024, the financial budget report for 2025, the audited consolidated financial statements for 2024, the 2024 annual results announcement and annual report and the proposals on the profit distribution for 2024, as well as the resolutions on confirming the implementation of the connected transactions and the regulations governing the connected transactions for 2024, and the re-appointment of external auditors for 2025.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance with the Listing Rules, the terms of reference of which are available on the websites of the Hong Kong Stock Exchange and the Company. From 1 January 2025 to 16 May 2025, the remuneration committee comprised three Directors, namely Mr. Fu Yachen (independent non-executive Director), Mr. Xu Chungang (executive Director) and Mr. Poon Pok Man (independent non-executive Director). Mr. Fu Yachen was the chairman of the remuneration committee. Following the retirement of Mr. Fu Yachen and Mr. Poon Pok Man as Directors on 16 May 2025, they ceased as members of the remuneration committee. Since 16 May 2025, the remuneration committee comprises three Directors, namely Ms. Du Jie (independent non-executive Director), Mr. Xu Chungang (executive Director), and Mr. Chan Sing Fai (independent non-executive Director). Ms. Du Jie is the chairperson of the remuneration committee.

During the six months ended 30 June 2025, the remuneration committee held 1 meeting. The first meeting of the remuneration committee for 2025 was held on 28 March 2025, at which resolutions in relation to the remuneration status, remuneration policy and structure of the Directors, Supervisors and senior management, as well as resolutions on the remuneration policy and director service contracts for proposed directors, were considered.



CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company has established a nomination committee with written terms of reference in compliance with the Listing Rules and its terms of reference are available on the websites of the Hong Kong Stock Exchange and the Company. During the period from 1 January 2025 to 16 May 2025, the nomination committee comprised three Directors, namely Ms. Zhang Yan (independent non-executive Director), Mr. Yang Zhongshi (executive Director, re-designated as a non-executive Director on 28 March 2025), and Mr. Fu Yachen (independent non-executive Director). Ms. Zhang Yan was the chairperson of the nomination committee. Since 16 May 2025, the nomination committee comprised three Directors, namely Ms. Zhang Yan (independent non-executive Director), Mr. Shi Mingjun (non-executive Director), and Ms. Du Jie (independent non-executive Director). Ms. Zhang Yan is the chairperson of the nomination committee.

During the six months ended 30 June 2025, the nomination committee held 2 meetings. The Company held the first meeting of the nomination committee for 2025 on 28 March 2025, at which the meeting considered and passed the resolutions on the structure of the Board, the leadership and contributions of the Directors, the performance of the corporate governance functions and related matters as well as the assessment of the independence of the independent non-executive Directors, and nomination of individuals to become independent non-executive Directors. On 16 April 2025, the Company convened the second meeting of the nomination committee for 2025, at which the meeting considered and passed the resolution on the nomination of Mr. Zhang Liming as an executive Director of the third session of the Board and the general manager of the Company, and the nomination of Mr. Shi Mingjun as a non-executive Director of the third session of the Board.

STRATEGY COMMITTEE

The Company has established a strategy committee with written terms of reference in compliance with the Listing Rules and its terms of reference are available on websites of the Hong Kong Stock Exchange and the Company. Between 1 January 2025 to 28 March 2025, the strategy committee comprised three Directors, namely Mr. Song Chi (non-executive Director), Mr. Shi Mingjun (executive Director), and Ms. Zhang Yan (independent non-executive Director). Mr. Song Chi was the chairman of the strategy committee. Following the resignation of Mr. Shi Mingjun as a Director on 28 March 2025, he ceased as the member of the strategy committee. During the period between 28 March 2025 and 16 May 2025, the strategy committee comprised two Directors, namely Mr. Song Chi (non-executive Director) and Ms. Zhang Yan (independent non-executive Director). Mr. Song Chi was the chairman of the strategy committee. Since 16 May 2024, the strategy committee comprises three directors, namely Mr. Song Chi (non-executive Director), Mr. Zhang Liming (executive Director), and Ms. Zhang Yan (independent non-executive Director). Mr. Song Chi is the chairman of the strategy committee. As such, during the period between 28 March 2025 and 16 May 2025, there were only two members of the strategy committee, which failed to meet the requirement stipulated under the terms of reference of the strategy committee that it shall comprise a minimum of three members.

The first meeting of the strategy committee for 2025 was convened on 28 March 2025 by the Company, at which a resolution in relation to the 2024 environmental, social and governance report (near final version) was passed.



OTHER INFORMATION

SHARE CAPITAL

As at 30 June 2025, the total share capital of the Company comprised 466,700,000 Shares, divided into 350,000,000 Domestic Shares and 116,700,000 H Shares, with par value of RMB1.00 each. After the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange, the Company did not issue any new Shares in exchange for cash.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2025.

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

For the six months ended 30 June 2025, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities or redeemable securities (including sale of treasury Shares). As of 30 June 2025, the Company did not hold any treasury Shares.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

For the six months ended 30 June 2025, there were no convertible securities, options, warrants and other similar rights issued or granted by the Company or any of its subsidiaries, nor were there any conversion rights or subscription rights exercised pursuant to any convertible securities, options, warrants and other similar rights issued or granted by the Company or any of its subsidiaries at any time.

ISSUE OF BONDS

For the six months ended 30 June 2025, neither the Company nor any of its subsidiaries had issued any bonds.

LOAN ARRANGEMENTS GRANTED TO ENTITIES

Reference is made to the announcement of the Company dated 1 November 2024, in relation to the Company, as lender, and Changre Group, a controlling shareholder of the Company, as borrower, entered into a loan agreement date 1 November 2024 (the "Loan Agreement"), pursuant to which the Company has agreed to advance a loan in an amount of not more than RMB300 million to Changre Group from 24 December 2024 up to 31 December 2029 (both days inclusive) (the "Maturity Date") at the interest rate of 4.5% per annum. Changre Group shall repay the loan together with any accrued interest in full on the Maturity Date.

As at the date of this report, the total amount advanced by the Company to Changre Group in accordance with the Loan Agreement amounted to RMB256 million. Save as disclosed above, the Group had not granted any loan to any entity which is subject to disclosure requirements under Rule 13.13 of the Listing Rules and continued to exist as at the date of this report.

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

As at 30 June 2025, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed to be their interests or short positions in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.



OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES

As at 30 June 2025, to the knowledge of the Directors, the persons (other than a Director or chief executive of the Company) who have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholders	Types of Shares	Capacity	Number of Shares/ underlying Shares held (Note 2)	Percentage of relevant class of share capital (%) (Note 3)	Percentage of total share capital (%) (Note 4)
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	Domestic Shares	Beneficial owner	325,500,000(L)	93.00	69.75
Changchun State-owned Capital Investment Operation (Group) Co., Ltd.* (長春市國有資本投資運營(集團)有限公司)	Domestic Shares	Beneficial owner	24,500,000(L)	7.00	5.25
China Foreign Economic and Trade Trust Co., Ltd. (中國對外經濟貿易信托有限公司) (Note 1)	H Shares	Trustee	30,500,000(L)	26.14	6.54
Northeast Asia Crowdwit Investment Management (Jilin) Co., Ltd. (東北亞萬眾創投資管理(吉林)有限公司)	H Shares	Beneficial owner	17,090,000(L)	14.64	3.66

Notes:

1. China Foreign Economic and Trade Trust Co., Ltd. is the trustee of SCBCN — Foreign Economy and Trade Trust Co., Ltd-Fotic Wuxingbaichuan No. 37 Unitrust.
2. (L) denotes the relevant person's long position in such Shares.
3. Based on 350,000,000 Domestic Shares or 116,700,000 H Shares of the Company in issue as at 30 June 2025.
4. Based on the total issued share capital of the Company of 466,700,000 Shares as at 30 June 2025.



OTHER INFORMATION

CHANGE IN INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. Yang Zhongshi and Mr. Shi Mingjun has resigned from their positions as directors of Changchun Yatai Heating Co., Ltd. on 28 May 2025.

At the shareholders' meeting held on 16 May 2025, the Company approved the proposal to abolish and dissolve the supervisory committee. Thereafter, the Company no longer has a supervisory committee or supervisors, with the audit committee exercising the powers and functions of the supervisory committee.

STAFF AND REMUNERATION POLICY

As at 30 June 2025, the Group had a total of 1,578 employees. The remuneration of the Group's employees comprised basic salary and performance bonus. Performance bonus is determined based on the Group's results performance and individual performance evaluation.

SIGNIFICANT LEGAL PROCEEDINGS

As at 30 June 2025, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

REVIEW OF INTERIM RESULTS

The Company has established the audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The audit committee consists of three members, namely Mr. Chan Sing Fai (independent non-executive Director), Mr. Yang Zhongshi (non-executive Director) and Ms. Zhang Yan (independent non-executive Director). Mr. Chan Sing Fai (independent non-executive Director) is the chairman of the audit committee. The audit committee and the independent auditor of the Company have reviewed the interim results of the Group for the six months ended 30 June 2025, and have agreed with the accounting treatment adopted by the Company.



COMBINED STATEMENT OF FINANCIAL POSITION

(presented in RMB unless otherwise stated)

Assets	Note V	30 June 2025 (Unaudited)	31 December 2024 (Audited)
CURRENT ASSETS:			
Monetary fund		466,963,585.84	1,455,774,167.52
Held-for-trading financial assets		—	—
Derivative financial assets		—	—
Bills receivable		—	—
Trade receivables	(I)	244,452,946.72	292,454,028.46
Trade receivables financing		—	—
Prepayments	(II)	181,596,601.93	696,052,863.29
Other receivables	(III)	400,997,081.49	143,150,344.45
Inventories		4,402,450.44	8,788,546.82
Contract assets	(IV)	31,333,995.08	46,964,015.19
Assets held for sale		—	—
Non-current assets due within one year		—	—
Other current assets	(V)	47,608,229.71	33,620,803.95
TOTAL CURRENT ASSETS		1,377,354,891.21	2,676,804,769.68
NON-CURRENT ASSETS:			
Debt investments		—	—
Other debt investments		—	—
Long-term receivables		—	—
Long-term equity investments		—	—
Other equity instrument investments		—	—
Other non-current financial assets		—	—
Investment properties		—	—
Fixed assets		855,582,330.61	850,266,318.15
Construction-in-progress		71,123,166.78	53,612,884.26
Biological assets		—	—
Fuel and gas assets		—	—
Right-of-use assets		8,306,649.44	10,060,235.07
Intangible assets		16,502,866.58	17,259,945.80
Development costs		—	—
Goodwill		74,847,680.43	74,847,680.43
Long-term deferred expenditures		—	—
Deferred income tax assets		64,397,527.06	62,984,246.27
Other non-current assets		—	—
TOTAL NON-CURRENT ASSETS		1,090,760,220.90	1,069,031,309.98
TOTAL ASSETS		2,468,115,112.11	3,745,836,079.66



COMBINED STATEMENT OF FINANCIAL POSITION

		30 June 2025 (Unaudited)	31 December 2024 (Audited)
Liabilities and shareholders' equity	Note V		
CURRENT LIABILITIES:			
Short-term borrowings		548,000,000.00	616,185,080.42
Held-for-trading financial liabilities		—	—
Derivative financial liabilities		—	—
Bills payable		—	88,600,000.00
Trade payables	(VI)	92,403,741.86	288,333,372.32
Advances		—	—
Contract liabilities	(VII)	500,029,011.51	1,436,470,122.36
Salaries payable		31,435,300.99	107,132,207.59
Tax payable		7,462,600.21	19,188,754.70
Other payables	(VIII)	14,878,386.90	17,117,505.96
Liabilities held for sale		—	—
Non-current liabilities due within one year	(IX)	8,442,836.23	5,912,595.53
Other current liabilities	(X)	283,665.69	34,420.48
TOTAL CURRENT LIABILITIES		1,202,935,543.39	2,578,974,059.36
NON-CURRENT LIABILITIES:			
Long-term borrowings		—	—
Bonds payable		—	—
Of which: Preference shares		—	—
Perpetual bonds		—	—
Lease liabilities	(XI)	3,473,212.45	6,700,386.05
Long-term payables		2,383,380.35	2,584,506.04
Long-term salaries payable		34,548,188.24	34,548,188.24
Estimated liabilities		—	—
Deferred income		49,505,791.00	52,153,256.12
Deferred income tax liabilities		23,975,752.26	26,485,876.24
Other non-current liabilities		1,229,995.52	1,229,995.52
TOTAL NON-CURRENT LIABILITIES		115,116,319.82	123,702,208.21
TOTAL LIABILITIES		1,318,051,863.21	2,702,676,267.57



COMBINED STATEMENT OF FINANCIAL POSITION

		30 June 2025 (Unaudited)	31 December 2024 (Audited)
Liabilities and shareholders' equity	Note V		
SHAREHOLDERS' EQUITY:			
Share capital	(XII)	466,700,000.00	466,700,000.00
Other equity instruments		—	—
Of which: Preference shares		—	—
Perpetual bonds		—	—
Capital reserve		—	—
Less: Treasury stock		—	—
Other comprehensive income		-7,364,142.82	-7,364,142.82
Special reserve		25,630,609.10	25,630,609.10
Surplus reserve		45,131,170.29	45,131,170.29
Undistributed profits		619,965,612.33	513,062,175.52
Total shareholders' equity attributable to the parent company		1,150,063,248.90	1,043,159,812.09
Minority interests		—	—
TOTAL SHAREHOLDERS' EQUITY		1,150,063,248.90	1,043,159,812.09
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,468,115,112.11	3,745,836,079.66



COMBINED INCOME STATEMENT

(presented in RMB unless otherwise stated)

Item	Note V	January to June 2025 (Unaudited)	January to June 2024 (Unaudited)
I. TOTAL OPERATING INCOME	(XIII)	935,134,299.91	906,629,256.98
Less: Operating costs	(XIII)	745,469,319.23	686,590,830.07
Taxes and surcharges		1,029,519.83	877,236.48
Selling expenses		47,639.04	—
Administrative expenses		42,703,122.46	43,227,227.39
Research and development expenses		439,496.06	804,993.79
Financial costs		-1,964,529.87	-6,810,607.79
Of which: Interest charges		9,397,905.71	1,720,984.50
Interest income		-11,383,806.88	-8,763,445.66
Add: Other income		4,127,832.07	2,804,174.07
Investment income (presented by a “-” for loss)		—	—
Of which: Investment income from associates and joint ventures		—	—
Gain on derecognition of financial assets measured at amortized cost		—	—
Net gain from hedging exposure (presented by a “-” for loss)		—	—
Gain on changes in fair value (presented by a “-” for loss)		—	—
Credit impairment loss (presented by a “-” for loss)		-5,514,175.98	-5,689,057.85
Impairment loss on assets (presented by a “-” for loss)		-2,382,244.28	21,627,705.85
Gain on disposal of assets (presented by a “-” for loss)		—	—
II. OPERATING PROFIT (PRESENTED BY A “-” FOR LOSS)		143,641,144.97	200,682,399.11
Add: Non-operating income		26,266.07	28,051.37
Less: Non-operating expenses		31,666.99	93,296.59
III. TOTAL PROFIT (PRESENTED BY A “-” FOR TOTAL LOSS)		143,635,744.05	200,617,153.89
Less: Income tax expense	(XIV)	36,732,307.24	52,475,162.44
IV. NET PROFIT (PRESENTED BY A “-” FOR NET LOSS)		106,903,436.81	148,141,991.45
Of which: Net profit realized by the acquiree of the business combination under common control before the combination			
(I) Classified by continuity of operation			
Net profit from continuing operation (presented by a “-” for net loss)		106,903,436.81	148,141,991.45
Net profit from discontinued operation (presented by a “-” for net loss)		—	—
(II) Classified by ownership			
Net profit attributable to owners of the parent company (presented by a “-” for net loss)		106,903,436.81	148,141,991.45
Minority interests (presented by a “-” for net loss)		—	—



COMBINED INCOME STATEMENT

Item	Note V	January to June 2025 (Unaudited)	January to June 2024 (Unaudited)
V. OTHER COMPREHENSIVE INCOME, NET OF TAX		—	—
Other comprehensive income attributable to owners of the parent company, net of tax		—	—
(I) Other comprehensive income that may not be reclassified to profit or loss		—	—
1. Changes from re-measurement of defined benefit plans, net		—	—
2. Other comprehensive income that may not be transferred to profit or loss under the equity method		—	—
3. Change in fair value of other equity instrument investments		—	—
4. Changes in fair value of the enterprise's own credit risk		—	—
5. Others		—	—
(II) Other comprehensive income that may be classified to profit or loss		—	—
1. Other comprehensive income that may be transferred to profit or loss under the equity method		—	—
2. Changes in fair value of other debt investments		—	—
3. Amounts of financial assets reclassified to other comprehensive income		—	—
4. Credit impairment provision for other debt investments		—	—
5. Reserves for cash flow hedges		—	—
6. Differences from translation of financial statement denominated in foreign currency		—	—
7. Investment income from a package disposal of subsidiaries before loss of control		—	—
8. Conversion of other assets to investment property measured by fair value model		—	—
9. Others		—	—
Comprehensive income attributable to minority shareholders, net of tax		—	—
VI. TOTAL COMPREHENSIVE INCOME		106,903,436.81	148,141,991.45
Total comprehensive income attributable to owners of the parent company		106,903,436.81	148,141,991.45
Total comprehensive income attributable to minority Shareholders			
VII. EARNINGS PER SHARE:			
(I) Basic earnings per Share	(XV)	0.23	0.32
(II) Diluted earnings per Share	(XV)	0.23	0.32



COMBINED STATEMENT OF CASH FLOWS

(presented in RMB unless otherwise stated)

Item	Note V	January to June 2025 (Unaudited)	January to June 2024 (Unaudited)
I. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sales of goods or rendering of services		104,914,170.95	63,392,757.96
Tax rebates received		4,920.03	78,396.31
Cash received relating to other operating activities		10,359,891.02	13,032,129.33
Sub-total of cash inflows from operating activities		115,278,982.00	76,503,283.60
Cash paid for purchase of goods and receipt of services		333,960,757.52	371,934,167.02
Cash paid to and on behalf of employees		182,578,619.23	114,052,392.67
Payments of tax charges		42,297,721.66	66,264,846.28
Cash paid relating to other operating activities		89,371,007.90	19,771,341.33
Sub-total of cash outflows from operating activities		648,208,106.31	572,022,747.30
Net cash flows from operating activities		-532,929,124.31	-495,519,463.70
II. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from recovery of investments		—	—
Cash received from returns on investments		—	—
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		9,625.00	—
Net cash received from disposal of subsidiaries and other operating entities		—	—
Cash received relating to other investing activities		1,897,500.00	—
Sub-total of cash inflows from investing activities		1,907,125.00	—
Cash paid to acquire fixed assets, intangible assets and other long-term assets		124,029,896.99	60,160,031.26
Cash paid to acquire investments		256,000,000.00	—
Net cash paid to acquire subsidiaries and other operating entities		—	—
Cash paid relating to other investing activities		—	—
Sub-total of cash outflows from investing activities		380,029,896.99	60,160,031.26
Net cash flows from investing activities		-378,122,771.99	-60,160,031.26



COMBINED STATEMENT OF CASH FLOWS

Item	Note V	January to June 2025 (Unaudited)	January to June 2024 (Unaudited)
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from capital contributions		—	—
Of which: Cash received from capital contributions by minority Shareholders in subsidiaries		—	—
Cash received from borrowings		—	—
Cash received relating to other financing activities		—	—
Sub-total of cash inflows from financing activities		—	—
Cash paid for repayment of debts		67,550,000.00	—
Cash paid for distribution of dividends, profits or interest payment		9,344,145.38	1,536,081.67
Of which: dividends and profits paid to minority Shareholders by subsidiaries		—	—
Other cash paid relating to financing activities		864,540.00	—
Sub-total of cash outflows from financing activities		77,758,685.38	1,536,081.67
Net cash flows from financing activities		-77,758,685.38	-1,536,081.67
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		—	—
V. NET INCREASE IN CASH AND CASH EQUIVALENTS		-988,810,581.68	-557,215,576.63
Add: Cash and cash equivalent balance at beginning of the period		1,449,174,167.52	1,111,041,609.91
VI. CASH AND CASH EQUIVALENT BALANCE AT END OF THE PERIOD		460,363,585.84	553,826,033.28



COMBINED STATEMENT OF CHANGES IN EQUITY

(presented in RMB unless otherwise stated)

January to June 2025 (Unaudited)											
Item	Shareholders' equity attributable to the parent company										
	Other equity instruments				Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Minority interests
	Share capital	Preference shares	Perpetual bonds	Others							
I. Closing balance of previous year	466,700,000.00						-7,364,142.82	25,630,609.10	45,131,170.29	513,062,175.52	
Add: Change in accounting policy											
Correction of accounting errors for prior period											
Business combination under common control											
Others											
II. Opening balance of current year	466,700,000.00						-7,364,142.82	25,630,609.10	45,131,170.29	513,062,175.52	
III. Changes during the period										106,903,436.81	
(I) Total comprehensive income										106,903,436.81	
(II) Shareholders' contribution and capital reduction											
1. Ordinary Shares contribution by Shareholders											
2. Capital invested by other equity instrument holders											
3. Share payment included in shareholders' equity											
4. Others											
(III) Profit appropriation											
1. Appropriation to surplus reserve											
2. Distribution to shareholders											
3. Others											
(IV) Internal transfer of shareholders' equity											
1. Capital reserve transferred to share capital											
2. Surplus reserve transferred to share capital											
3. Surplus reserve make up for losses											
4. Changes of defined benefits plan transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation in the current period											
2. Utilized in the current period											
(VI) Others											
IV. Closing balance of current period	466,700,000.00						-7,364,142.82	25,630,609.10	45,131,170.29	619,965,612.33	



COMBINED STATEMENT OF CHANGES IN EQUITY

January to June 2024 (Unaudited)

Item	Shareholders' equity attributable to the parent company											Total Shareholders' equity
	Other equity instruments				Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Minority interests	
	Share capital	Preference shares	Perpetual bonds	Others								
I. Closing balance of previous year	466,700,000.00						-2,786,642.82	25,636,436.53	38,565,035.73	461,731,649.36		989,846,478.80
Add: Change in accounting policy												
Correction of accounting errors for prior period												
Business combination under common control												
Others												
II. Opening balance of current year	466,700,000.00						-2,786,642.82	25,636,436.53	38,565,035.73	461,731,649.36		989,846,478.80
III. Changes during the period										148,141,991.45		148,141,991.45
(I) Total comprehensive income										148,141,991.45		148,141,991.45
(II) Shareholders' contribution and capital reduction												
1. Ordinary Shares contribution by Shareholders												
2. Capital invested by other equity instrument holders												
3. Share payment included in shareholders' equity												
4. Others												
(III) Profit appropriation												
1. Appropriation to surplus reserve												
2. Distribution to shareholders												
3. Others												
(IV) Internal transfer of shareholders' equity												
1. Capital reserve transferred to share capital												
2. Surplus reserve transferred to share capital												
3. Surplus reserve make up for losses												
4. Changes of defined benefits plan transferred to retained earnings												
5. Other comprehensive income transferred to retained earnings												
6. Others												
(V) Special reserve												
1. Appropriation in the current period												
2. Utilized in the current period												
(VI) Others												
IV. Closing balance of current period	466,700,000.00						-2,786,642.82	25,636,436.53	38,565,035.73	609,873,640.81		1,137,988,470.25



NOTES TO FINANCIAL STATEMENTS

I. GENERAL INFORMATION OF THE COMPANY

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

The Company held a general meeting in April 2018 and passed the resolution on comprehensive change to become a joint stock company with limited liability. As at 30 April 2018, the audited net assets of the Company amounted to a total of RMB522,908,077.64, which was converted into a total of 350,000,000 shares with a par value of RMB1 per share, and the proportion of capital contribution by each shareholders before and after the conversion remained unchanged. The Company completed business registration procedures and obtained legal enterprise business license (no. 91220101MA14W03575) on 30 May 2018.

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

After the distribution of bonus shares, placing of new shares, conversion of share capital and issuance of new shares over the years, as at 31 December 2024, the Company has share capital of 466.70 million Shares, with a registered capital of RMB466.70 million. Our registered address is: No. 28, Block B (Hongcheng Xiyu), Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province; our headquarter address is: No. 28, Block B (Hongcheng Xiyu), Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province. The parent company is Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司) and the ultimate de facto controller of the Group is State-owned Assets Supervision and Administration Commission of Changchun Municipal Government.

The Company engages in the heat supply industry and its main products and services are: new energy technology development; heating production and supply; heating engineering design and installation services; contract energy management; sales of cables, electrical equipment, household appliances, flooring, floor tiles, thermostats and heating accessories (those businesses that are prohibited by the laws, regulations and decisions of the State Council shall not be operated; for items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities).



NOTES TO FINANCIAL STATEMENTS

I. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of Preparation

These financial statements were prepared according to the Accounting Standards for Enterprises — Basic Standards published by the Ministry of Finance and specific accounting standards, guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (the “ASBEs”). In addition, these financial statements also comply with the applicable disclosure provisions of the Listing Rules of The Stock Exchange of Hong Kong Limited and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

(II) Going Concern

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Disclaimer of Compliance with the ASBEs

These financial statements are in compliance with the ASBEs published by the Ministry of Finance and give a true and complete view of the combined financial position of the Company as at 30 June 2025 and of its operating results and cash flows from January to June 2025.

(II) Accounting Period

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

(III) Operating Cycle

The operating cycle of the Company is 12 months.

(IV) Reporting Currency

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

Business combinations involving entities not under common control: the cost of a business combination is the fair value of the assets paid, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for control of the acquiree at the acquisition date. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquiree in business combination, the Company shall recognize such difference as goodwill; where the cost of combination is lower than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to the profit or loss for the period after verification. All identifiable assets, liabilities and contingent liabilities of the acquiree that meet the recognition criteria are measured at fair value on the acquisition date.

Directly related fees for the purpose of business combination are credited in profit or loss in the period when they incurred; trading fees for issue of equity securities or debt securities occurred for the purpose of business combination shall be included in the initial recognition amount of equity securities or debt securities.

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

1. Determination criteria of control

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

2. Procedures of Combination

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Procedures of Combination (Continued)

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

(1) *Addition of subsidiary or business*

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

In connection with imposing control over the investee under common control as a result of additional investment and other reasons, the equity investment held before gaining the control of the combined party is recognized as relevant profit or loss, other comprehensive income and changes in other net assets at the later of the date of acquisition of the original equity and the date when the combining party and the combined party are under common control until the date when the combination occurs, and shall be written down to the opening balance of retained earnings or profit or loss for the period in the comparative reporting period.

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

In connection with imposing control over the investee not under common control as a result of additional investment and other reasons, the acquiree's equity held before the acquisition date shall be remeasured by the Company at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognized as investment income for the current period; if the acquiree's equity held before the acquisition date contains other comprehensive income and changes in other owner's equity under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment income for the period the acquisition date falls in.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Procedures of Combination (Continued)

(2) Disposal of subsidiaries

① General treatment

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

② Step disposal of subsidiary

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

- i. These transactions are entered into simultaneously or taking into account the mutual effects on each other;
- ii. A complete set of commercial results can be achieved with reference to the series of transactions as a whole;
- iii. The occurrence of one transaction depends on the occurrence of at least one of other transactions;
- iv. One transaction recognized separately is not economical, but it is economical when considered together with other transactions.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Procedures of Combination (Continued)

(2) Disposal of subsidiaries (Continued)

② Step disposal of subsidiary (Continued)

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

If all transactions are not considered as a group of transactions, accounting for partial disposal of the equity investment in the subsidiary without losing control shall be applied before control is lost. When control is lost, general accounting treatment for disposal of a subsidiary shall be applied.

(3) Acquisition of minority interest of subsidiary

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

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

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

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

(VIII) Determination of Cash and Cash Equivalents

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

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

1. Foreign Currency Transactions

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

At the balance sheet date, monetary items denominated in foreign currency are converted using the spot exchange rate on the balance sheet date. Exchange differences shall be recorded into profit or loss for the current period, except for those arising from specific borrowings denominated in foreign currency related to the purchase of assets qualified for capitalization, which should be capitalized as cost of the borrowings.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Translation of Foreign Currency Financial Statements

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

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

(X) Financial Instruments

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

1. Classification of financial instruments

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

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

1. Classification of financial instruments (Continued)

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

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

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

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

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

2. Recognition basis and measurement method of financial instruments

(1) *Financial assets measured at amortized cost*

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

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

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

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

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

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

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

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

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

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

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

(6) *Financial liabilities measured at amortized cost*

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

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

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

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

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

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

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

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

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

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

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

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

4. Derecognition of financial liabilities

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

4. Derecognition of financial liabilities (Continued)

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

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

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

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

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

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

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

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

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

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

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

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

(XI) Inventories

1. Classification and costs of inventories

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

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

2. Valuation of inventories delivered

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

3. Inventory system

The perpetual inventory system is adopted.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XI) Inventories (Continued)

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

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

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

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

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

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

(XII) Contract Assets

1. Recognition methods and criteria for contract assets

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Held-for-sale and Discontinued Operation

1. Held-for-sale

Assets that are primarily recovered through sale (including non-monetary asset exchanges with commercial substance) rather than through continued use of a non-current asset or a disposal group, are classified as held-for-sale.

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

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

For non-current assets (excluding the assets resulting from financial assets, deferred income tax assets and salaries) or disposal groups that are classified as held-for-sale, if their carrying amounts are higher than the net fair value less sale costs, the carrying amounts should be written down to the net fair value less sale costs. The amount written down should be recognized as an impairment loss of asset and charged to profit or loss for the period, together with a provision for impairment of assets held-for-sale.

2. Discontinued operation

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Long-term Equity Investments

1. Criteria for determination of common control and significant impact

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

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

2. Determination of initial investment cost

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

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

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Long-term Equity Investments (Continued)

3. Subsequent measurement and profit or loss recognition

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

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

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

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Long-term Equity Investments (Continued)

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

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

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

(3) Disposal of long-term equity investments

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) Long-term Equity Investments (Continued)

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

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

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

(XV) Investment Property

Investment property refers to property held to earn rentals or capital appreciation, or both, including land use rights that have been leased, land use rights that are held and prepared for transfer after appreciation, and buildings that have been leased (including buildings after self-completion of construction or development for the purpose of leasing and buildings that is being constructed or developed for the purpose of leasing in future).

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

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

(XVI) Fixed Assets

1. Recognition and initial measurement of fixed assets

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVI) Fixed Assets (Continued)

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

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

2. Method of depreciation

The depreciation of fixed assets is classified and made on the average years of life, with the depreciation rate determined according to the types of fixed asset, the expected useful life and the estimated net residual value rate. For fixed assets with impairment provided, the depreciation can be determined based on the carrying amount less the provision for impairment in future period and the remaining useful life. If the life of each component of the fixed asset is different or provides economic benefits to the enterprise in different ways, different depreciation rates or depreciation methods are used for separate depreciations.

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

Category	Method of depreciation	Year of depreciation (year)	Residual	Annual depreciation rate (%)
Property and buildings	Straight-line basis	30	4	3.20
Machinery and equipment	Straight-line basis	2-16	4	6.00-48.00
Electronic equipment	Straight-line basis	5	4-5	19.00-19.20
Transportation equipment	Straight-line basis	6-10	4-5	9.50-16.00
Office equipment	Straight-line basis	5	4	19.20
Network equipment	Straight-line basis	16	4	6.00

3. Disposal of fixed assets

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) Construction in progress

1. Initial measurement of construction in progress

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

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

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

(XVIII) Borrowing Expenses

1. Principles of recognizing capitalization of borrowing expenses

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

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

2. Capitalization period of borrowing expenses

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Borrowing Expenses (Continued)

2. Capitalization period of borrowing expenses (Continued)

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

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

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

3. Suspension of capitalization period

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

4. Calculation of capitalization ratio and capitalized amount of borrowing expenses

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

For normal borrowings borrowed for the purpose of constructing or producing assets eligible for capitalization, the interest amount that should be capitalized on normal borrowings is calculated based on the weighted average of expenses of the aggregate asset exceeding the expenses of the portion of special-purpose borrowings multiplied by the capitalization ratio of the normal borrowings utilized. Capitalization ratio is calculated based on the weighted average effective interest rate of the normal borrowings.

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Intangible Assets

1. Valuation of intangible assets

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

The cost of externally purchased intangible assets includes the purchase price, relevant taxation and other expenses directly attributable to bringing the asset to expected usage.

(2) *Subsequent measurement*

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

Intangible asset with a limited life is amortized over the term which it brings economic benefit to the Company. An intangible asset is regarded as having an indefinite life when the term over which the asset is expected to generate economic benefits for the Company cannot be estimated, and will not be amortized.

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

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

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

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

Research stage: The stage of original planned investigation and research activities to acquire and understand new scientific or technical knowledge.

Development stage: The stage of activities that apply research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc. before commercial production or use.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) Intangible Assets (Continued)

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

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

- (1) it is technically feasible to complete the intangible asset to bring it to useable or saleable conditions;
- (2) there is an intention to complete the intangible asset for use or sale;
- (3) there is a way for generating economic benefits from the intangible asset, including the ability to prove there exists a market for products produced using the intangible asset or there exists a market for the intangible asset itself; for intangible asset to be used internally, its usability can be proved;
- (4) there is enough support in the areas of technology, financial and other resources to complete the development of the intangible asset, and there is the ability to use or sell the intangible asset;
- (5) the expenses attributable to the development stage of the intangible asset can be reliably measured.

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

(XX) Impairment of Long-term Assets

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

The Company will conduct impairment test for goodwill. For goodwill arising from business combinations, the carrying value will be allocated to the relevant asset groups using a reasonable method from the date of acquisition. If it is difficult to allocate to the relevant asset groups, it will be allocated to the relevant combination of asset groups. The relevant asset groups or combination of asset groups are those that can benefit from the synergies of the business combination.

When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the Company shall first make an impairment test on the asset groups or combination of asset groups not containing the goodwill, calculate the recoverable amount, and compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the Company shall make an impairment test on the asset groups or combination of asset groups containing goodwill, and compare their carrying value with the recoverable amount. Where the recoverable amount is lower than the carrying value, the impairment loss will first reduce the carrying value of goodwill allocated to the asset groups or combination of asset groups, and then proportionately reduce the carrying value of other assets in the asset groups or combination of asset groups, based on the carrying value of those other assets excluding goodwill.

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

(XXI) Long-term Deferred Expenditures

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

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

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

(XXII) Contract Liabilities

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) Employee Remuneration

1. Accounting treatment for short-term remuneration

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

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

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

2. Accounting treatment for post-employment benefits

(1) *Defined contribution plan*

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

(2) *Defined benefit plan*

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) Employee Remuneration (Continued)

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

(2) Defined benefit plan (Continued)

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

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

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

3. Accounting treatment of termination benefits

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

4. Accounting treatment of other long-term employment benefits

Other long-term employment benefits refer to all employee benefit except for short-term benefit, post-employment benefit, and termination benefit.

For other long-term employee benefits that meet the conditions of the defined contribution plan, during the accounting period in which the employee provides services for the company, the amount that should be paid is recognized as a liability and is included in the profit or loss for the period or the cost of the relevant assets. In addition to the above situations, other long-term employee benefits are actuarially calculated by independent actuaries using the expected cumulative benefit unit method on the balance sheet date, and the benefit obligations arising from the defined benefit plans are attributed to the period during which the employees provide services and are included in the current profit and loss or costs of related asset.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) Estimated Liabilities

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

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

Estimated liabilities of the Company shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflow.

The expenses required have a successive range, in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range. In other cases, the best-estimate amount is determined as follows:

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

Where some or all the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognised as an asset when it is virtually certain that the reimbursement will be received. The amount recognised for the reimbursement is limited to the carrying amount of the estimated liability.

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Share-based Payments

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

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

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

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

If the granted equity instrument is cancelled during the vesting period, the Company will treat the cancellation of the granted equity instrument as an accelerated exercise, and the amount that should be confirmed in the remaining vesting period is immediately included into the current profit and loss, and the capital reserve is recognized simultaneously. However, if new equity instruments are granted and it is determined on the grant date of the new equity instruments that the new equity instruments granted are used to replace the cancelled equity instruments, the replacement equity instruments granted shall be accounted for in the same way as the modification of the terms and conditions of the original equity instruments.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Share-based Payments (Continued)

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

Cash-settled share-based payment shall be measured at the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Company. If the right may be exercised immediately after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. For share-based payment transactions where the right to exercise can only be obtained after completing the services during the vesting period or meeting the specified performance conditions after the grant, on each balance sheet date within the vesting period, the Company, based on the best estimate of the exercisability, recognizes the services obtained during the current period as relevant costs or expenses at the fair value of the liabilities it assumes, and correspondingly recognizes them as liabilities. On each balance sheet date before the settlement of the relevant liabilities and on the settlement date, the fair value of the liabilities is re-measured, and the changes are recognized in the current period's profit or loss.

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

(XXVI) Income

1. Accounting policies adopted for revenue recognition and measurement

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Income (Continued)

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

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Income (Continued)

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

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

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

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

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

(1) Provision of heat service

When the Company satisfies its performance obligations for heat supply services, if the customer simultaneously receives and consumes the resources provided by the Company, it is a performance obligation satisfied within a certain period of time. Revenue from heat supply services is recognised on the basis of the actual heating area and the heating price approved by relevant government departments, and is recognised in monthly instalments over the heating period in proportion to the number of heating days as a percentage of the total number of heating days.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVI) Income (Continued)

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

(2) Pipeline connection fee

The pipeline connection fee is a one-off fee charged by the Company to the customers for the connection of the primary pipeline network for residential customers and is non-refundable. The Company enters into a contract with a customer and agrees to a heating service period, and income from the pipeline connection fee is recognised on a straight-line basis over the customer's beneficial period. The Company has determined the beneficial period to be 16 years.

(3) Heat transmission service

Revenue from the provision of heat transmission service, which utilises the heat transmission network of the Company to provide heat transmission service to other heat supply units, is recognised at the point in time when control of heat is transferred to the customer, which is generally when heat is transmitted to the customer.

(4) Engineering construction and maintenance services

When the Company satisfies its performance obligation for engineering construction and maintenance services, if the customer is able to control the Company's asset created or enhanced in the performance process, it is a performance obligation satisfied within a certain period of time, and the Company recognises the revenue based on the progress of performance, which is determined by the proportion of the actual costs incurred to the estimated total cost of achieving the construction services.

(5) Design services

The design services provided by the Company include design, consultancy and feasibility studies for heating projects. The major stages of the completed workload as at the date of combined statement of financial position have been recognized based on external evidence obtained. The Company determines the progress of performance of the service according to the output method. Based on the actual progress of completion of the design project, the Company recognizes the current revenue of the project based on the total amount of the design contract multiplied by the actual progress of completion to calculate the completed contract amount (net of the contract amount accumulated in previous accounting periods and net of the corresponding value-added tax).

(6) Sale of goods

Revenue from the sale of industrial goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Contract Costs

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

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

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

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

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

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

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

If the factors of impairment in the previous period change, so that the above differences are higher than the carrying amount of the asset, the impairment provision previously accrued is transferred back to the current profit and loss. The carrying amount of the asset after the return does not exceed the carrying amount of the asset on the date of reversal under the assumption that no impairment provision is made.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Government Grants

1. Classification

Government grants refer to monetary and non-monetary assets received from the government without compensation, which are divided into subsidies related to assets and subsidies related to revenue.

Government grants related to assets are obtained by the Company for the purposes of constructing or forming long-term assets in other ways. Government grants related to revenue refer to the government grants other than those related to assets.

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

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

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

2. Time of recognition

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVIII) Government Grants (Continued)

3. Accounting treatment

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

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

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

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

(XXIX) Deferred Tax Assets and Deferred Tax Liabilities

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

Deferred tax assets and deferred tax liabilities are measured and recognized based on the difference (temporary difference) between the taxable base of assets and liabilities and their carrying amount.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

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

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

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

(XXX) Leases

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

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

1. The Company as lessee

(1) *Right-of-use assets*

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

- Initial measurement amount of lease liabilities;
- If there are rental incentives in the rental payments paid before or at the beginning of the lease term, the relevant amount of rental incentives happened shall be deducted;
- Initial direct expenses incurred by the Company;
- Expected costs of dismantling and removing leased assets, restoring the site of leased assets or restoring leased assets to the agreed state of leasing terms excluding costs incurred for the production of inventory.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Leases (Continued)

1. The Company as lessee (Continued)

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

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

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

(2) *Lease liabilities*

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Leases (Continued)

1. The Company as lessee (Continued)

(2) Lease liabilities (Continued)

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

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

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

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

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

(4) Lease Change

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) Leases (Continued)

1. The Company as lessee (Continued)

(4) Lease Change (Continued)

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

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

(XXXI) Segment Reporting

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

Each of the Company's operating segments is a component that meets all the following criteria: (1) the component generates income and incur expenses in daily activities; (2) the management of the Company can evaluate the operating results of the component regularly to determine the allocation of resources thereto and evaluate its performance; (3) the relevant accounting information such as the financial status, operating results and cash flow of the component can be available for the Company. Two or more operating segments are consolidated into one operating segment if they have similar economic characteristics and meet certain conditions.



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXII) Determination Methodology and Selection Basis of Materiality Criteria

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

(XXXIII) Major accounting estimates and judgments

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

Important accounting estimates and key assumptions

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

(1) *Impairment of financial instruments*

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIII) Major accounting estimates and judgments (Continued)

Important accounting estimates and key assumptions (Continued)

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

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

(3) *Useful lives of fixed assets*

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXIV) Changes in Significant Accounting Policies and Accounting Estimates

1. Changes in Significant Accounting Policies

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

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. Changes in Significant Accounting Policies (Continued)

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

② Disclosures regarding supplier financing arrangements

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. Changes in Significant Accounting Policies (Continued)

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

- ③ Accounting treatment related to sale-leaseback transactions
- Interpretation No. 17 stipulates that a lessee, when subsequently measuring a lease liability arising from a sale-leaseback, shall not determine the lease payments or variable lease payments in a manner that would result in the recognition of gains or losses related to the right of use obtained from the leaseback. When an enterprise implements this provision for the first time, it shall make retrospective adjustments for sale-leaseback transactions conducted after the date of initial implementation of ASBE No. 21 — Leases.

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

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

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

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



NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. Changes in Significant Accounting Policies (Continued)

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

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

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

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

2. Changes in key accounting estimates

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

IV. TAXATION

(I) Main Types of Taxes and Corresponding Rates

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



NOTES TO FINANCIAL STATEMENTS

IV. TAXATION (Continued)

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

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

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

(II) Preferential Tax

1. VAT

The Company, Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司) and Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司) were subject to the "Announcement on the Ministry of Finance and the State Administration of Taxation on the Renewal of Tax Policies for Heat Supply Enterprises" (Cai Shui [2023] No. 56) issued by the Ministry of Finance and the State Administration of Taxation, which stated that in order to support residents' heating needs, the policies on VAT, property tax and urban land use tax for heat supply enterprises in the "three north" regions are as follows: I. heat supply fee income generated by heat supply enterprises for heat supplied to individual residents shall be exempted from VAT and the implementation period of the announcement shall extend to the end of the heat supply period in 2027.



NOTES TO FINANCIAL STATEMENTS

IV. TAXATION (Continued)

(III) Preferential Tax (Continued)

2. Enterprise income tax

(1) *Jilin Province Heating Engineering Design and Research Company Limited** (吉林省熱力工程設計研究有限責任公司)

According to Rule II of Article XXVIII of the “Enterprise Income Tax Law” (《企業所得稅法》), Article XCIII of the “Regulation on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China” (《中華人民共和國企業所得稅法實施條例》), the “Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Amendment on Issuing the Administrative Measures for Determination of High and New Tech Enterprises” (Guo Ke Fa Huo [2016] No. 32) (《科技部財政部國家稅務總局關於修訂印發〈高新技術企業認定管理辦法〉的通知》)(國科發火[2016]32號)), the “Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Amendment on Issuing the Guidelines for the Administration of the Recognition of Hi-tech Enterprises” (Guo Ke Fa Huo [2016] No. 195) (《科技部財政部國家稅務總局關於修訂印發〈高新技術企業認定管理工作指引〉的通知》)(國科發火[2016]195號)), and the “Announcement of the State Administration of Taxation on Issues Relating to the Implementation of Preferential Income Tax Policies for High and New Tech Enterprises” (Announcement of the State Administration of Taxation No. 24 of 2017) (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》)(國家稅務總局公告2017年第24號)), High and New Tech Enterprises are subject to corporate income tax at a tax rate of 15%. Since Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司) has obtained a High and New Tech Enterprise Certificate on 29 November 2022, which is valid for three years, it is eligible for the preferential enterprise income tax policy for High and New Tech Enterprises and subject to corporate income tax at a tax rate of 15%.

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



NOTES TO FINANCIAL STATEMENTS

IV. TAXATION (Continued)

(III) Preferential Tax (Continued)

2. Enterprise income tax (Continued)

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

According to Rule II of Article XXVIII of the Enterprise Income Tax Law (《企業所得稅法》), Article XCIII of the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), the Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Amendment on Issuing the Administrative Measures for Determination of High and New Tech Enterprises (Guo Ke Fa Huo [2016] No. 32) (《科技部財政部國家稅務總局關於修訂印發〈高新技術企業認定管理辦法〉的通知》)(國科發火[2016]32號)), the Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Amendment on Issuing the Guidelines for the Administration of the Recognition of Hi-tech Enterprises (Guo Ke Fa Huo [2016] No. 195) (《科技部財政部國家稅務總局關於修訂印發〈高新技術企業認定管理工作指引〉的通知》)(國科發火[2016]195號)), and the Announcement of the State Administration of Taxation on Issues Relating to the Implementation of Preferential Income Tax Policies for High and New Tech Enterprises (Announcement of the State Administration of Taxation No. 24 of 2017) (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》)(國家稅務總局公告2017年第24號)), which stated that High and New Tech Enterprises are subject to corporate income tax at a tax rate of 15%. Since Jilin Province Changre Electrical Apparatus Company Limited has obtained a High and New Tech Enterprise Certificate on 29 November 2023, which is valid for three years.

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



NOTES TO FINANCIAL STATEMENTS

IV. TAXATION (Continued)

(III) Preferential Tax (Continued)

2. Enterprise income tax (Continued)

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

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

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

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

3. Other taxes

According to the Notice on the Renewal of Tax Policies for Heat Supply Enterprises” (Cai Shui [2023] No. 56) (《關於延續實施供熱企業有關稅收政策的公告》財稅[2023]56號) issued by the Ministry of Finance and the State Administration of Taxation, in order to support heat supply for residents, the policies on VAT, property tax and urban land use tax for heat supply enterprises in the “Three Northern Areas” were announced as follows: II. for heat supply enterprises that receive heat supply fees for supplying heat to residents, the plant and land used for supplying heat to residents shall be exempted from property tax and urban land use tax; for other plants and lands of heat supply enterprises, property tax and urban land use tax shall be levied in accordance with the relevant regulations. The notice shall be in force until the end of the heat supply period in 2027.



NOTES TO FINANCIAL STATEMENTS

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS

(II) Trade receivables

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

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Ageing		
Within 1 year	94,805,548.81	240,784,530.94
1 to 2 years	120,088,965.53	50,660,189.88
2 to 3 years	40,011,168.25	16,463,637.23
3 to 4 years	14,507,308.95	18,091,660.10
4 to 5 years	16,273,134.02	8,163,363.23
Over 5 years	24,521,871.23	17,834,792.54
Sub-total	310,207,996.79	351,998,173.92
Less: Provision for bad debts	65,755,050.07	59,544,145.46
Total	244,452,946.72	292,454,028.46



NOTES TO FINANCIAL STATEMENTS

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

(I) Trade receivables (Continued)

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

Category	30 June 2025 (Unaudited)					31 December 2024 (Audited)				
	Carrying balance		Provision for bad debts			Carrying balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount
Provision for bad debts on an individual basis										
Provision for bad debts using portfolios with similar credit risk features	310,207,996.79	100.00	65,755,050.07	21.20	244,452,946.72	351,998,173.92	100.00	59,544,145.46	16.92	292,454,028.46
Of which:										
Portfolio of ageing										
— Heat supply business	98,191,505.71	31.65	11,046,958.40	11.25	87,144,547.31	142,618,498.78	40.52	12,424,919.86	8.71	130,193,578.92
Portfolio of ageing										
— Basic heating fee	36,422,356.51	11.74	10,174,084.70	27.93	26,248,271.81	34,555,515.43	9.82	6,632,629.08	19.19	27,922,886.35
Portfolio of ageing										
— Engineering business	60,256,061.91	19.42	28,149,415.16	46.72	32,106,646.75	74,762,607.84	21.24	30,490,120.33	40.78	44,272,487.51
Related party portfolio	115,338,072.66	37.19	16,384,591.81	14.21	98,953,480.85	100,061,551.87	28.42	9,996,476.19	9.99	90,065,075.68
Total	310,207,996.79	100.00	65,755,050.07	21.20	244,452,946.72	351,998,173.92	100.00	59,544,145.46	16.92	292,454,028.46



NOTES TO FINANCIAL STATEMENTS

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

(I) Trade receivables (Continued)

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

(1) Portfolio of ageing — Heat supply business:

Name	30 June 2025 (Unaudited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	74,326,350.23	3,716,317.51	5.00
1 to 2 years	14,204,662.01	2,840,932.40	20.00
2 to 3 years	4,477,606.68	1,343,282.00	30.00
3 to 4 years	2,412,613.94	965,045.57	40.00
4 to 5 years	1,177,783.87	588,891.94	50.00
Over 5 years	1,592,488.98	1,592,488.98	100.00
Total	98,191,505.71	11,046,958.40	

(2) Portfolio of ageing — Basic heating fee:

Name	30 June 2025 (Unaudited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	6,982,057.81	349,102.89	5.00
1 to 2 years	9,213,120.62	921,312.07	10.00
2 to 3 years	7,150,045.15	1,430,009.04	20.00
3 to 4 years	5,392,914.40	1,617,874.32	30.00
4 to 5 years	3,656,864.30	1,828,432.15	50.00
Over 5 years	4,027,354.23	4,027,354.23	100.00
Total	36,422,356.51	10,174,084.70	



NOTES TO FINANCIAL STATEMENTS

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

(I) Trade receivables (Continued)

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

(3) Portfolio of ageing — Engineering business:

Name	30 June 2025 (Unaudited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	11,861,183.14	593,059.16	5.00
1 to 2 years	10,154,588.39	2,030,917.67	20.00
2 to 3 years	11,167,090.30	3,350,127.09	30.00
3 to 4 years	4,132,686.21	2,066,343.12	50.00
4 to 5 years	9,438,485.85	6,606,940.10	70.00
Over 5 years	13,502,028.02	13,502,028.02	100.00
Total	60,256,061.91	28,149,415.16	

(II) Prepayment

1. Prepayments by ageing

Ageing	30 June 2025 (Unaudited)		31 December 2024 (Audited)	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	179,578,253.01	98.89	691,200,774.37	99.30
1 to 2 years	1,930,995.83	1.06	4,825,644.63	0.69
2 to 3 years	87,353.09	0.05	26,444.29	0.01
Over 3 years	—	—	—	—
Total	181,596,601.93	100.00	696,052,863.29	100.00



NOTES TO FINANCIAL STATEMENTS

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

(III) Other Receivables

Item	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Other receivables	400,997,081.49	143,150,344.45
Total	400,997,081.49	143,150,344.45

1. Other Receivables

(1) Disclosure based on ageing

Ageing	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Within 1 year	407,327,751.48	150,330,525.35
1 to 2 years	10,846,576.10	10,723,352.46
2 to 3 years	29,558.64	7,945,152.84
3 to 4 years	150,000.00	152,000.00
4 to 5 years	2,000.00	50,000.00
Over 5 years	9,466,922.50	1,471,769.66
Sub-total	427,822,808.72	170,672,800.31
Less: Provision for bad debts	26,825,727.23	27,522,455.86
Total	400,997,081.49	143,150,344.45



NOTES TO FINANCIAL STATEMENTS

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

(III) Other Receivables (Continued)

1. Other Receivables (Continued)

(2) Particulars of provision for bad debts

Provision for bad debts	30 June 2025 (Unaudited)			Total
	Stage one 12-months ECL	Stage two Lifetime ECL (not credit impaired)	Stage three Lifetime ECL (credit impaired)	
Closing balance of previous year	18,372,439.82		9,150,016.04	27,522,455.86
Closing balance of previous year during the current period which				
— transferred to stage two				
— transferred to stage three				
— reversed to stage two				
— reversed to stage one				
Provision in the current period	502,810.93			502,810.93
Reversal in the current period	1,189,835.20			1,189,835.20
Charge-off in the current period	9,704.36			9,704.36
Written-off in the current period				
Other changes				
Closing balance	17,675,711.19	—	9,150,016.04	26,825,727.23

(3) Classification by nature of the amount

Nature of the amount	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Guarantee	192,000.00	1,292,000.00
Petty money	499,014.88	539,192.70
Current account payment	425,953,082.46	157,929,525.05
Others	1,178,711.38	10,912,082.56
Total	427,822,808.72	170,672,800.31



NOTES TO FINANCIAL STATEMENTS

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

(IV) Contract Assets

1. Particulars of contract assets

Item	30 June 2025 (Unaudited)			31 December 2024 (Audited)		
	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount
Amounts completed but unsettled	63,665,934.65	37,395,331.52	26,270,603.13	72,582,153.28	34,642,465.38	37,939,687.90
Quality guarantee deposit	7,872,836.98	2,809,445.03	5,063,391.95	12,203,778.86	3,179,451.57	9,024,327.29
Total	71,538,771.63	40,204,776.55	31,333,995.08	84,785,932.14	37,821,916.95	46,964,015.19

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

Item	31 December 2024 (Audited)	Movement during the current period			30 June 2025 (Unaudited)
		Provision in the current period	Reversal in the current period	Charge-off/write-off in the current period	
Amounts completed but unsettled	34,642,465.38	2,752,866.14			37,395,331.52
Quality guarantee deposit	3,179,451.57		370,006.54		2,809,445.03
Total	37,821,916.95	2,752,866.14	370,006.54		40,204,776.55



NOTES TO FINANCIAL STATEMENTS

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

(V) Other Current Assets

Item	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Input tax to be deducted	44,556,421.47	13,409,358.49
Prepayment of enterprise income tax	2,959,761.52	13,282,514.63
Input tax pending verification	22,365.94	6,928,930.83
Others	69,680.78	
Total	47,608,229.71	33,620,803.95

(VI) Trade Payables

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

Item	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Within 1 year	17,652,359.36	228,146,149.72
1 to 2 years	33,790,937.76	14,745,559.16
2 to 3 years	4,350,737.23	39,714,923.61
Over 3 years	36,609,707.51	5,726,739.83
Total	92,403,741.86	288,333,372.32

(VII) Contract Liabilities

1. Particulars of contract liabilities

Item	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Heat supply	496,469,951.16	1,434,222,091.45
Construction, maintenance and design services and other	3,559,060.35	2,248,030.91
Total	500,029,011.51	1,436,470,122.36



NOTES TO FINANCIAL STATEMENTS

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

(VIII) Other Payables

Item	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Other payables	14,878,386.90	17,117,505.96
Total	14,878,386.90	17,117,505.96

1. Other payables

(1) Based on nature of the payments

Item	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Quality guarantee deposit	15,996.00	15,996.00
Deposit and guarantee	1,035,614.00	1,332,614.00
Current account payment		6,246,032.27
Insurance	103,306.20	595,014.76
Utilities	7,719,159.15	8,082,959.15
Others	6,004,311.55	844,889.78
Total	14,878,386.90	17,117,505.96

(IX) Non-current Liabilities Due within One Year

Item	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Lease liabilities due within one year	8,442,836.23	5,912,595.53
Total	8,442,836.23	5,912,595.53



NOTES TO FINANCIAL STATEMENTS

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

(X) Other Current Liabilities

Item	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Tax to be charged-off	283,665.69	34,420.48
Total	283,665.69	34,420.48

(XI) Lease Liabilities

Item	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Lease payments	12,382,388.37	13,263,995.35
Less: Unrecognized finance charge	466,339.69	651,013.77
Less: Lease liabilities due within one year	8,442,836.23	5,912,595.53
Total	3,473,212.45	6,700,386.05

(XII) Share Capital

Name of investor	31 December 2024 (Audited)		Increase during the current period	Decrease during the current period	30 June 2025 (Unaudited)	
	Amount of investment	Shareholding percentage (%)			Amount of investment	Shareholding percentage (%)
Changre Group	325,500,000.00	69.75			325,500,000.00	69.75
Changchun State-owned Capital Investment Operation (Group) Co., Ltd.* (長春市國有資本投資運 營(集團)有限公司)	24,500,000.00	5.25			24,500,000.00	5.25
Overseas public Shareholders (H Shares Listing in Hong Kong)	116,700,000.00	25.00			116,700,000.00	25.00
Total	466,700,000.00	100.00			466,700,000.00	100.00



NOTES TO FINANCIAL STATEMENTS

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

(XIII) Operating Income and Operating Costs

(1) Particulars of segment assets, liabilities and revenue

Item	Heat supply	Construction, maintenance and design services	Total
30 June 2025 (Unaudited)			
Segment assets	2,210,700,559.64	257,414,552.47	2,468,115,112.11
Segment liabilities	1,223,499,374.24	94,552,488.97	1,318,051,863.21
January to June 2025(Unaudited)			
Segment revenue			
Revenue from all customers	933,428,767.84	16,367,792.59	949,796,560.43
Intersegment revenue	7,096,874.08	7,565,386.44	14,662,260.52
Reportable segment revenue	926,331,893.76	8,802,406.15	935,134,299.91
Reportable segment gross profit	191,116,646.50	-1,451,665.82	189,664,980.68

Item	Heat supply	Construction, maintenance and design services	Total
30 June 2024 (Unaudited)			
Segment assets	1,883,938,131.03	163,790,341.59	2,047,728,472.62
Segment liabilities	810,652,046.47	99,087,955.90	909,740,002.37
January to June 2024(Unaudited)			
Segment revenue			
Revenue from all customers	903,853,284.33	11,223,057.67	915,076,342.00
Intersegment revenue	3,577,248.31	4,869,836.71	8,447,085.02
Reportable segment revenue	900,323,867.50	6,305,389.48	906,629,256.98
Reportable segment gross profit	219,994,005.81	44,421.10	220,038,426.91



NOTES TO FINANCIAL STATEMENTS

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

(XIII) Operating Income and Operating Costs (Continued)

(2) Revenue and other business income

Item	January to June 2025 (Unaudited)	January to June 2024 (Unaudited)
Revenue from contracts with customers		
Provision and distribution of heat	884,923,601.99	859,996,290.50
Pipeline connection fee	35,108,205.62	33,624,881.16
Heat transmission	6,300,086.15	6,702,695.84
Engineering construction	5,710,502.31	1,895,403.15
Engineering maintenance	6,902.00	2,541,378.58
Design services	100,622.38	1,676,775.53
Others	2,984,379.46	191,832.22
Total	935,134,299.91	906,629,256.98

(3) Costs and other business costs

Item	January to June 2025 (Unaudited)	January to June 2024 (Unaudited)
Heat supply	735,215,247.26	680,329,861.69
Of which:		
Heat procurement cost	436,959,705.93	419,778,228.40
Coal	46,132,249.19	20,771,100.97
Maintenance and repair	6,896,002.74	6,863,573.57
Labor	76,836,030.41	76,641,143.92
Depreciation and amortization	69,059,828.17	64,121,704.22
Utility	49,376,018.55	44,786,282.25
Input VAT transferred out	29,746,303.94	28,791,121.35
Others	20,209,108.33	18,576,707.01
Construction, maintenance and design services	10,254,071.97	6,260,968.38
Total	745,469,319.23	686,590,830.07



NOTES TO FINANCIAL STATEMENTS

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

(XIII) Operating Income and Operating Costs (Continued)

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

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

Contract category	Incurred during the current period		Total
	Heat supply business	Construction, maintenance and design services	
I. By commodity	926,331,893.76	8,802,406.15	935,134,299.91
Heat supply	884,923,601.99	—	884,923,601.99
Pipeline connection fee	35,108,205.62	—	35,108,205.62
Heat transmission	6,300,086.15	—	6,300,086.15
Engineering construction	—	5,710,502.31	5,710,502.31
Engineering maintenance	—	6,902.00	6,902.00
Design services	—	100,622.38	100,622.38
Others	—	2,984,379.46	2,984,379.46
II. By business area	926,331,893.76	8,802,406.15	935,134,299.91
Northeast region	926,331,893.76	8,802,406.15	935,134,299.91
Others	—	—	—
III. By market or customer	926,331,893.76	8,802,406.15	935,134,299.91
Corporate	330,666,539.34	8,802,406.15	339,468,945.49
Residential	595,665,354.42	—	595,665,354.42
IV. By contract	926,331,893.76	8,802,406.15	935,134,299.91
Sales	889,660,698.53	280,940.65	889,941,639.18
Service	36,671,195.23	8,521,465.50	45,192,660.73
V. By the time of commodity transfer	926,331,893.76	8,802,406.15	935,134,299.91
At a point in time	—	280,940.65	280,940.65
Over a period of time	926,331,893.76	8,521,465.50	934,853,359.26
VI. By contract term	926,331,893.76	8,802,406.15	935,134,299.91
Within 1 year	891,223,688.14	434,442.42	891,658,130.56
Over 1 year	35,108,205.62	8,367,963.73	43,476,169.35
VII. By sales channel	926,331,893.76	8,802,406.15	935,134,299.91
Centralized heating	926,331,893.76	—	926,331,893.76
Others	—	8,802,406.15	8,802,406.15
Total	926,331,893.76	8,802,406.15	935,134,299.91



NOTES TO FINANCIAL STATEMENTS

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

(XIV) Income Tax Expense

1. List of income tax expense

Item	January to June 2025 (Unaudited)	January to June 2024 (Unaudited)
Current income tax expenses	40,560,755.05	53,138,389.25
Deferred income tax expenses	-3,828,447.81	-663,226.81
Total	36,732,307.24	52,475,162.44

2. Reconciliation between accounting profit and income tax expenses

Item	January to June 2025 (Unaudited)
Total profit	143,635,744.05
Income tax expenses calculated at statutory tax rates	35,824,878.70
Effect of different tax rates applied by subsidiaries	1,213,272.28
Effect of adjustments to income tax on prior periods	-577,771.32
Effect of non-taxable income	
Effect of non-deductible costs, expenses and losses	
Effect of deductible loss on utilization of deferred income tax assets not recognized in the previous period	
Effect of deductible temporary difference or deductible loss on deferred income tax assets not recognized in the current period	322,327.80
Others	-50,400.22
Income tax expenses	36,732,307.24



NOTES TO FINANCIAL STATEMENTS

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

(XV) Earnings Per Share

1. Basic earnings per share

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

Item	January to June 2025 (Unaudited)	January to June 2024 (Unaudited)
Combined net profit attributable to ordinary shareholders of the parent company	106,903,436.81	148,141,991.45
Weighted average of outstanding ordinary shares of the Company	466,700,000.00	466,700,000.00
Basic earnings per share		
Of which: Basic earnings per share from continuing operation	0.23	0.32
Basic earnings per share from discontinued operation	0.23	0.32

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(II) Related Party Transactions

The transaction prices of the Company's transactions with related parties are mutually agreed prices, which are consistent with those with non-related parties.

- For the subsidiaries which are controlled by the Company and consolidated into the combined financial statements, the transactions amongst themselves and those between the parent company and them have been eliminated.



NOTES TO FINANCIAL STATEMENTS

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related Party Transactions (Continued)

2. Continuing related party transactions and related party transactions

(1) Particulars of goods and services transactions

Table of purchased of goods/acceptance of services

Related party	Description of the related party transaction	January to June 2025 (Unaudited)	January to June 2024 (Unaudited)
Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司)	Purchase of goods	8,843,555.39	14,088,599.13
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	Purchase of goods and receipt of services	16,053,734.86	36,315,583.47
Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限責任公司)	Purchase of goods	1,204,090.58	102,232.31
Total	—	26,101,380.83	50,506,414.91

Table of sale of goods/provision of services

Related party	Description of the related party transaction	January to June 2025 (Unaudited)	January to June 2024 (Unaudited)
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	Sale of goods, provision of services	4,768,229.71	2,438,734.18
Jilin Heating Group Co., Ltd* (吉林省熱力集團有限公司)	Provision of services	56,412.68	777,452.83
Total	—	4,824,642.39	3,216,187.01

The transactions with companies under common control as set out in (1) above are transactions under the Continuing Connected Transaction — Products and Services Framework Agreement and constitute continuing connected transactions under Chapter 14A of the Listing Rules.



NOTES TO FINANCIAL STATEMENTS

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Related Party Transactions (Continued)

3. Amounts due from/to related party

(1) Amounts due from related parties to the Company

		January to June 2025 (Unaudited)		31 December 2024 (Audited)	
Item	Related party	Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Trade receivables					
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	95,755,198.07	17,038,387.45	79,469,837.07	8,117,247.33
	Jilin Heating Group Tonghua Utility Co., Ltd* (吉林省熱力集團通化市公用事業有限公司)	367,151.38	100,264.44	367,151.38	95,104.18
	Jilin Province Heating Group Co., Ltd* (吉林省熱力集團有限公司)	11,486,583.82	2,390,553.88	11,435,587.82	1,047,765.75
	Inner Mongolia Chuncheng Heating Service Co., Ltd* (內蒙古春城熱力服務有限公司)			1,740,218.80	136,259.13
	Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	2,385,656.40	508,746.83	2,385,656.40	234,979.00
	Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	569,715.92	113,943.18	569,715.92	44,608.76
	Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林市公用事業有限公司)	4,093,384.48	818,676.90	4,093,384.48	320,512.00
Prepayments					
	Jilin Province New Model Pipes Co., Ltd* (吉林省新型管業有限責任公司)	2,000,000.00			
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	146,238,476.09		177,032,646.00	
Other receivables					
	Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林市公用事業有限公司)	15,000.00	15,000.00	15,000.00	15,000.00
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	256,253,661.69		—	
Contract assets					
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	5,495,198.20	547,944.08	16,583,188.83	1,298,463.69
	Jilin Province Heating Group Co., Ltd* (吉林省熱力集團有限公司)	301,686.72	63,861.36	301,686.72	23,622.07
	Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	17,620.08	—	17,620.08	1,379.65
	Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林市公用事業有限公司)	126,599.52	25,319.90	126,599.52	9,912.74
	Inner Mongolia Chuncheng Heating Service Co., Ltd* (內蒙古春城熱力服務有限公司)	53,821.20	10,764.24	53,821.20	4,214.20
	Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	64,005.18	12,801.04	64,005.18	5,011.61



NOTES TO FINANCIAL STATEMENTS

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Related Party Transactions (Continued)

3. Amounts due from/to related party (Continued)

(2) Amounts due to related parties to the Company

Item	Related party	January to June 2025 (Unaudited)	31 December 2024 (Audited)
Trade payables			
	Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限公司)	3,398,329.65	22,856,716.09
	Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司)		3,004,821.75
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)		13,494,000.00
Other payables			
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	144,255.36	4,477,732.80
Non-current liabilities due within one year			
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	8,360,638.53	5,831,964.67
Lease liabilities			
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	3,214,365.67	6,446,177.14

VII. SHARE-BASED PAYMENT

There was no share-based payment during the Reporting Period.



NOTES TO FINANCIAL STATEMENTS

VIII. DESCRIPTION ON CONTINGENCIES

(I) Contingent Liabilities

As at 30 June 2025, the Company did not have any discloseable material contingent liabilities.

(II) Contingent Assets

As at 30 June 2025, the Company has no contingent assets that need to be accounted for.

Jilin Province Chun Cheng Heating Company Limited

28 August 2025



DEFINITIONS

“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“ASBEs”	the Accounting Standards for Business Enterprises — Basic Standards (《企業會計準則—基本準則》) issued by the Ministry of Finance and the specific accounting standards for business enterprises, the practice note for the ASBEs, the interpretation of ASBEs and other relevant requirements
“Board”	the board of Directors of the Company
“Changre Group”	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), previously known as Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司), the controlling shareholder of the Company, and a state-owned company (wholly-owned by Changchun SASAC) established in the PRC on 28 April 1998 which held approximately 69.75% of the total share capital of the Company as at the date of this report
“China” or “PRC”	the People’s Republic of China which, for the purposes of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company” or “We”	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司) (stock code: 1853), a company incorporated in the PRC on 23 October 2017 and is a joint stock limited liability company
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report contained in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic ordinary share(s) in the Company’s registered capital with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and held by PRC nationals or PRC incorporated entities, and are not listed or traded on any stock exchange
“Group”	the Company and its subsidiaries
“H Share(s)”	the issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“heat service area”	gross floor areas covered by our heat supply, including both the heat service area which we fully and partially charge for heat fees
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong



DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Reporting Period”	the period from 1 January 2025 to 30 June 2025
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 per share
“Shareholder(s)”	the shareholder(s) of the Company
“Supervisor(s)”	the supervisor(s) of the Company
“%”	percent
“*”	for identification purpose only