Jilin Province Chuncheng Heating Company Limited *
吉林省春城熱力股份有限公司

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

Stock code : 1853

ANNUAL REPORT 2025

* For identification purpose only

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CORPORATE PROFILE

Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司) was established on 23 October 2017 with a current registered capital of RMB466.7 million, the H Shares of which were listed on the Main Board of the Hong Kong Stock Exchange on 24 October 2019 (stock code: 01853.HK). It is the first domestic heating enterprise listed on the Hong Kong Stock Exchange. With heat supply as its core business, the Group has established long-term and stable cooperative relationships with a number of thermal power plants. Heat supply services are provided to around 598,000 residential and non-residential users in Changchun with cogeneration as the main heat supply mode. As at the end of the Reporting Period, the heat service area of the Group was 72.781 million sq.m..

In recent years, the Group has continued to increase investment in the informatisation and intelligentisation of heat supply. Since its establishment, it has continued to build a smart heat supply network system in a planned and phased manner. The current smart heat supply network system has achieved real-time monitoring, remote control, big data comprehensive analysis and other functions, and has been identified as the leading system in the heating industry by China District Heating Association (中國城鎮供熱協會). In the process of heat supply and production, the Group deeply applies the "Internet + heat supply" production mode to improve its service level, and actively explores the development and application of new technologies and new materials in the industry through independent research and development and cooperation with social groups including universities, so as to remain its leading position in the field of smart heating.

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

The Group has been cultivating and devoting to the heat supply market in Northern China for many years. Guided by mission of "performing responsibility of state-owned enterprise and leading industrial development", it has built a widely recognized brand image by all sectors of society via providing outstanding heat supply services and consumption experiences to a large number of heating users. The Group will uphold its original intention while deepening reform to adapt to industry trend in the future to advance its development in clean energy heating business. By actively improving its layout in heat supply industry, the Group is committed to making further contribution to the industrial development.

FINANCIAL SUMMARY

COMBINED INCOME STATEMENT

	For the year ended 31 December				
	2025 (RMB'000)	2024 (RMB'000)	2023 (RMB'000)	2022 (RMB'000)	2021 (RMB'000) (restated)
Revenue	**1,704,751**	1,805,700	1,694,417	1,654,705	1,649,598
Gross profit	**224,991**	257,155	265,890	230,648	325,317
Profit before tax	**114,968**	138,321	168,472	165,645	167,084
Income tax expense	**(33,260)**	(38,421)	(47,516)	(50,977)	(44,326)
Profit for the year	**81,707**	99,900	120,956	114,668	122,758

COMBINED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2025 (RMB'000)	2024 (RMB'000)	2023 (RMB'000)	2022 (RMB'000)	2021 (RMB'000) (restated)
Total non-current assets	**1,476,622**	1,069,031	1,064,494	1,145,486	1,218,151
Total current assets	**2,017,302**	2,676,805	1,942,099	1,893,489	1,584,025
Total current liabilities	**1,993,742**	2,578,974	1,901,707	2,007,489	1,821,468
Total assets less current liabilities	**1,500,182**	1,166,862	1,104,886	1,031,486	980,708
Total non-current liabilities	**403,657**	123,702	115,040	119,584	132,690
Net assets	**1,096,525**	1,043,160	989,846	911,901	848,018

Notes: Figures in the summary of the consolidated results and financial position of the Company as at 31 December 2021 are restated. For details, please refer to the Company's announcements dated 14 April 2022 and 30 November 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

I. INDUSTRY OVERVIEW

In 2025, driven by the dual forces of the "dual carbon" strategy and new urbanization, the heating industry, a core part of the urban energy system and a fundamental industry for people's livelihood, exhibited distinct characteristics of accelerated clean transformation, improved intelligence levels, and innovative service models. Centralized heating remains the main form of heating in northern cities of China owing to its unique advantages of intensive energy use, centralized pollution control, and efficient operation management, and is marching towards the direction of "multi-energy complementarity, intelligence and efficiency, low carbon, and safety (多能互補、智慧高效、低碳安全)". The large-scale application of clean heating technologies such as air-source heat pumps and industrial waste heat recovery, as well as the deep integration of digital technologies with heating systems, promote the shift of the industry from traditional energy security to modern comprehensive services. Meanwhile, the renovation of obsolete pipeline networks and heat-metering reforms inject new momentum into the high-quality development of the heating industry.

Against the backdrop of the continuous deepening of new urbanization and the steady upgrading of residents' heating demands, the heating industry in China experienced steady growth in both market size and infrastructure construction. According to statistics from the National Bureau of Statistics, by the end of 2024, the national total heating area increased from 9.882 billion square metres in 2020 to 12.094 billion square metres in 2024, representing a compound annual growth rate of 5.18%, and the length of centralized heating pipelines grew from 426,000 kilometres in 2020 to 546,200 kilometres in 2024, representing a compound annual growth rate of 6.41%.

In recent years, with the accelerated legalization of China's heating sector and the simultaneous introduction of a series of supporting policies by the State, a solid foundation has been laid for the industry's high-quality development through the coordination of legislation and policy. The State steadily promotes the implementation of the 2024–2025 Action Plan for Energy Conservation and Carbon Reduction (《2024-2025年節能降碳行動方案》) and the Opinions on Strengthening the Clean and Efficient Utilization of Coal (《關於加強煤炭清潔高效利用的意見》), and leverages the implementation of the Energy Law of the People's Republic of China to further increase its support for clean energy heating, with a particular focus on clean winter heating in northern regions. Meanwhile, the State advances heating market reforms by encouraging social capital to participate in the construction and operation of the industry, and supports heating enterprises in technological innovation and equipment upgrades through policies such as tax incentives and financial subsidies, thereby comprehensively reinforcing the policy foundation for the sustainable development of the heating industry.

Moving forward, by taking green and low-carbon development as its core direction and leveraging intelligent upgrades as its engine for growth, the heating industry will enter a new stage of high-quality development. In this stage, the Internet of Things (IoT), big data, and artificial intelligence will be deeply integrated across the entire heating process, continuously expanding the application of smart heating scenarios and driving the integrated intelligent control upgrades for heat sources, pipeline networks, and end-users. Meanwhile, the large-scale implementation of clean heating technologies and the optimization of energy structures will be achieved, further enhancing the energy efficiency of the industry. With policy guidance and technological empowerment, the industry will transit from traditional energy security to intelligent, low-carbon, and refined services, consolidating the foundation of public welfare through efficient energy use and precise heat supply services, and achieving simultaneous improvements in development quality and benefits.

II. BUSINESS REVIEW

In 2025, the Group steadfastly adhered to its core philosophy of "fulfilling the responsibilities of a state-owned enterprise and sincerely serving society." It continuously enhanced the quality of its heat supply services, improved operational efficiency, strengthened its core competitiveness and capacity for sustainable development, and successfully accomplished all its main annual goals and tasks. During the Reporting Period, the Group recorded a total operating revenue of RMB1,704.75 million and a total profit of RMB114.97 million. As of 31 December 2025, the Group's total assets amounted to RMB3,493.92 million, and the owners' equity attributable to shareholders of the listed company was RMB1,096.53 million.

(1) Heat Supply Business

For the year ended 31 December 2025, the Group's heat supply area was 72.781 million sq.m., representing an increase of 3.019 million sq.m. or 4.33% from 69.762 million sq.m. in 2024, and the Group had 598,085 heat supply customers, representing an increase of 26,027 users or 4.55% from 572,058 in 2024. For the year ended 31 December 2025, the Group's revenue from heat supply business was RMB1,664.75 million, representing an increase of RMB49.44 million or 3.06% from RMB1,615.31 million in 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 for the year ended 31 December 2025.

	As at/for the year ended 31 December			
	2025		2024	
	Number of customers	% of revenue from heat supply	Number of customers	% of revenue from heat supply
Residential users[1]	**528,492**	**88.36%**	505,589	88.38%
Non-residential users[2]	**69,593**	**11.64%**	66,469	11.62%
Total	**598,085**	**100%**	572,058	100%

Notes:

(1) The number of residential users is per household.

(2) Non-residential users represent end-users other than residential users, such as industrial end-users, commercial end-users and other end-users.

2. Heat procurement

In 2025, and the Group has continued its model of providing heat supply from clean energy sources with cogeneration as the main source for the purpose of providing heating services to heat users within its jurisdiction in winter. During the Reporting Period, for the purpose of meeting the demand from the Group's additional heat service area, apart from purchasing cogeneration power from four thermal power plants, the Group also purchased heat from peak-shaving boilers of Changre Group, its controlling shareholder, for heating. In addition, Chuncheng Heating, Yatai Heating and Xixing Energy, and Chuncheng Biomass provided heat supply through coalfired boilers and biomass fuels, respectively.

For the year ended 31 December 2025, the total heat procurement by the Group from local cogeneration plants and its controlling shareholder, Changre Group, amounted to 20.64 million GJ and 0.2 million GJ respectively, with a total heat procurement of 20.84 million GJ, among which 19.35 million GJ of heat was used for the Group's heat supply and production purposes.

3. Heat transmission

For the year ended 31 December 2025, approximately 1.48 million GJ of heat procurement quota obtained from the cogeneration plants and Changre Group, the controlling shareholder, by the Group was transferred to three other heat service providers. The Group received a total heat transmission fee of RMB10.92 million from such three heat service providers.

The following table sets forth the breakdown of the usage of the Group's heat procurement for the year ended 31 December 2025:

	As at/for the year ended 31 December 2025	2024
Estimated heat procurement quota (GJ)[1]	**22,900,000**	22,900,000
Heat procurement quota transferred (GJ)[2]	**1,482,376**	2,135,587
Actual consumption (GJ)[3]	**19,354,567**	19,900,340
Total heat procured (GJ)[4]	**20,836,943**	22,035,927
Utilization rate[5]	**84.52%**	86.90%

Notes:

(1) The heat procurement quota was an estimate of the heat procurement prior to each heat supply period based on the historical heat procurement amount.

(2) During the Reporting Period, the Group transferred certain portion of procured heat to three other heat service providers. The Group charged heat transmission fees accordingly.

(3) Actual consumption of heat procured by the Group represents the aggregate amount of actual heat supply and consumption data each month as recorded by measuring equipment and reviewed and agreed by each of the four local cogeneration plants and the controlling shareholder, Changre Group, and the Group.

(4) The total heat procured was the sum of heat procurement quota transferred and the actual consumption. Procurement of heat exceeding the estimated heat procurement quota is subject to the supplemental agreements between the cogeneration plants and the Group.

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

(2) Construction, Maintenance, Design Services and Others

The Group's construction, maintenance, design services and others cover the peripheral services business of the heat supply industry chain. The Group mainly provides services including engineering construction, engineering maintenance, design services and so on for heat supply companies or end-users. These services mainly cover northeast China. For the year ended 31 December 2025, revenue generated from the Group's construction, maintenance, design services and others amounted to RMB40.00 million, representing a decrease of RMB150.39 million, or 78.99%, from RMB190.39 million in 2024.

The engineering construction business undertook a total of 244 projects, of which 233 were completed, including 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), and the Heat Exchange Station and Primary Network Works of the Erdao District Digital Economy Innovation and Entrepreneurship Industrial Park Infrastructure Construction Project (二道區數字經濟雙創產業園基礎設施建設項目換熱站及一次網工程). During the year, the Group continued to enhance on-site construction organization and safety management protocols, achieving greater construction efficiency while reinforcing workplace safety to ensure the delivery of high-quality engineering works.

The engineering maintenance business focused primarily on pipeline network operation and maintenance. The Group successfully completed the maintenance of nearly 750 chambers and 1,400 valves under its purview. Hazards identified during inspection and repair works were analysed in a timely manner, with rectification plans formulated and assigned to work teams for completion within a defined schedule. In parallel, pipeline network information was accurately verified, and road excavation permits were processed in compliance with regulatory requirements. Strengthened territorial supervision helped safeguard construction quality. During the year, pipeline network operational efficiency improved significantly, with the number of emergency repairs decreasing by approximately 50 times year-on-year, effectively mitigating safety risks in network operation during the winter season.

The design services business undertook a total of 32 engineering projects, all of which were completed. These included key projects such as the EPC Turnkey Contract for District-Wide Centralized Heating System Construction Project in Dehui City (德惠市成建集中供熱項目EPC工程總承包), and the Renovation and Upgrade of Primary Heating Pipelines and Aged Shared Heating Pipelines and Facilities in the Built-up Area of Baishan City (白山市建成區供熱一次管網及居民共有供熱老化管道和設施更新改造). During the year, the design services business maintained steady growth and achieved notable technological innovation milestones, securing 3 utility model patents.

(3) Safety Management

In 2025, the Group made comprehensive progress in establishing dual prevention mechanisms for work safety, advancing standardization, and formalizing team-level management protocols. Safety policies and assessment rules were refined, and approval procedures for hazardous operations were standardized, providing strong support for the Group's safety management. In-depth campaigns were carried out to address root causes, rectify "three violations", and identify potential hazards. Relevant entities were supervised in implementing rectification measures on a case-by-case basis, ensuring that all identified safety risks were fully eliminated. Through initiatives such as Safety Production Month, multi-disciplinary safety training was delivered to enhance safety awareness and emergency response capabilities across all employees. During the Reporting Period, the Group did not have any major safety accidents.

(4) Technology and R&D

In 2025, with the objective of achieving domestic leading standards in pollutant emissions, the Group continued to advance the upgrade of environmental protection facilities, undertaking SCR Ultra-Low emission retrofitting for 18 boilers across five boiler houses under its purview. Professional testing confirmed that all boiler flue gas emissions met Ultra-Low Emission Standards, achieving an annual reduction of 10.69 tonnes in particulate matter emissions, 22.83 tonnes in sulphur dioxide emissions, and 71 tonnes in nitrogen oxide emissions. Environmental governance effectiveness was thereby significantly enhanced.

In response to actual needs in equipment management, the Group independently developed the "Equipment Ledger Management System" (設備台賬管理系統). Since its official launch in 2025, the system has successfully established a digital management framework covering the entire lifecycle of equipment. Built around a centralized, dynamically updated electronic ledger, the system enables precise control over all assets. Its efficient mobile inventory function has substantially improved the efficiency of periodic stocktaking, ensuring consistency between physical assets and accounting records. For inspection and patrol operations, the system supports real-time data uploads, providing robust support for preventive maintenance and enabling early identification and elimination of potential risks. The in-depth application of this system marks a significant step forward in the Group's information-driven equipment management capability, laying a solid foundation for the safe and stable operation of equipment.

During the Reporting Period, the Group obtained a total of 3 utility model patents issued by the China National Intellectual Property Administration.

(5) Honors and Awards

In August 2025, the Group's Golden Heat Exchange Station was awarded the "2025 Comprehensive Energy Efficiency Benchmark Heating Station in the Heating Industry" by China Downtown Heating Association.

III. FINANCIAL POSITION AND OPERATING RESULTS

(1) Revenue

The Group's revenue decreased by 5.59% to RMB1,704.75 million in 2025 as compared with RMB1,805.70 million in 2024, which was mainly attributed to the significant decrease in revenue from the Group's engineering construction, engineering maintenance and design services, due to less projects undertaken during the year.

	2025 RMB'000	2024 RMB'000	Change in percentage
Heat supply, of which:			
Provision and distribution of heat	**1,583,805**	1,519,138	4.26%
Pipeline connection fee	**69,981**	84,157	(16.84)%
Heat transmission	**10,962**	12,020	(8.80)%
Sub-total	**1,664,748**	1,615,315	3.06%
Construction, maintenance, design services and others, of which:			
Engineering construction	**27,041**	50,981	(46.96)%
Engineering maintenance	**232**	40,257	(99.42)%
Design services	**6,769**	8,177	(17.22)%
Others	**5,961**	90,970	(93.45)%
Subtotal	**40,003**	190,385	(78.99)%
Total	**1,704,751**	1,805,700	(5.59)%

(2) Other Income and Other Net Gains

The Group's other income and other net gains decreased by 27.57% to RMB15.53 million in 2025 as compared with RMB21.44 million in the same period of 2024, mainly due to the significant decrease in interest income.

(3) Operating Costs

The Group's operating costs decreased by 4.44% to RMB1,479.76 million in 2025 as compared with RMB1,548.55 million in 2024.

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

	2025 RMB'000	2024 RMB'000	Change in percentage
Operating costs by business segment			
Heat supply	**1,449,159**	1,383,688	4.73%
Construction, maintenance, design services and others	**30,601**	164,857	(81.44)%
Total	**1,479,760**	1,548,545	(4.44)%

Heat supply costs

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

	2025 RMB'000	2024 RMB'000	Change in percentage
Operating costs for heat supply			
Heat procurement costs	**738,702**	757,278	(2.45)%
Coal	**89,943**	51,772	73.73%
Maintenance and repair	**162,299**	131,150	23.75%
Labor	**154,239**	154,119	0.08%
Depreciation and amortization	**140,796**	130,686	7.74%
Utility	**75,950**	76,444	(0.65)%
Input VAT transferred out	**58,649**	54,263	8.08%
Others	**28,582**	27,976	2.17%
Total	**1,449,159**	1,383,688	4.73%

In 2025, the Group's heat procurement costs decreased by 2.45% to RMB738.70 million as compared with RMB757.28 million in 2024, primarily due to the decrease in the heat resource consumption arising from the increase in the heat supply ratio of coal-fired boilers in 2025.

In 2025, the Group's coal cost increased by 73.73% to RMB89.94 million as compared with RMB51.77 million in 2024, primarily due to the increase in coal consumption arising from the procurement of heat supply assets such as a large amount of coal-fired boilers by the Group during the year.

In 2025, the Group's maintenance and repair costs increased by 23.75% to RMB162.30 million as compared with RMB131.15 million in 2024, primarily due to more maintenance projects during the current period.

In 2025, the Group's labor cost increased by 0.08% to RMB154.24 million as compared with RMB154.12 million in 2024, which remained largely stable as compared with 2024.

In 2025, the Group's depreciation and amortization increased by 7.74% to RMB140.80 million as compared with RMB130.69 million in 2024, primarily due to the increase in investment in fixed assets.

In 2025, the Group's utility cost amounted to RMB75.95 million as compared with RMB76.44 million in 2024, which remained largely stable as compared with 2024.

In 2025, the Group's input VAT transferred out increased by 8.08% to RMB58.65 million as compared with RMB54.26 million in 2024, primarily due to the general increase in input VAT arising from the increase in procurement cost of heat supply business during the period.

In 2025, the Group's other cost increased by 2.17% to RMB28.58 million as compared with RMB27.98 million in 2024, primarily due to the consumption of heating materials and the increase in office expenses.

Costs for construction, maintenance, design services and others

Operating costs for construction, maintenance, design services and others primarily consists of cost of materials, labor, machinery and other costs. In 2025, the operating costs for construction, maintenance, design services and others decreased by 81.44% to RMB30.60 million as compared with RMB164.86 million in 2024, primarily due to a decrease in the number of construction projects undertaken during the year, resulting in a significant reduction in the Group's operating costs for construction, maintenance, and design services.

(4) Gross Profit and Gross Profit Margin

In 2025, the Group's gross profit decreased by 12.51% to RMB224.99 million as compared with RMB257.16 million in 2024.

In 2025, the Group's gross profit margin decreased by 1.04% to 13.20% as compared with 14.24% in 2024. This was mainly due to the increase in maintenance and repair costs and the increase in the consumption of heating materials.

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

	2025 **RMB'000**	2024 RMB'000
Operating income	**1,704,751**	1,805,700
Operating costs	**1,479,760**	1,548,545
Gross profit	**224,991**	257,155
Gross profit margin	**13.20%**	14.24%

(5) Administrative expenses

In 2025, the Group's administrative expenses decreased by 4.59% to RMB103.94 million as compared with RMB108.94 million in 2024, which was mainly due to the increase in labor costs during the current period and the recognition of listing firm service fee related to the A-share listing during the previous period.

(6) Finance costs

In 2025, the Group's finance costs increased by RMB15.64 million to RMB11.72 million as compared with RMB-3.92 million in 2024, which was mainly due to the decrease in interest income and increase in interest expenses during the current period.

(7) Income Tax Expenses

In 2025, the Group's income tax expenses decreased by 13.43% to RMB33.26 million as compared with RMB38.42 million in 2024, which was mainly due to the decrease in total profit for the current period, resulting in the decrease in taxable income accordingly.

(8) Profit for the Year

In 2025, the Group's profit for the year decreased by 18.21% to RMB81.71 million as compared with RMB99.90 million in 2024, which was mainly due to the increase in maintenance and repair costs, increase in the consumption of heating materials and increase in depreciation during the current period, resulting in the increase in costs and the decrease in profit.

(9) Profit Attributable to Owners of the Company

In 2025, profit attributable to owners of the Company decreased by 18.21% to RMB81.71 million as compared with RMB99.90 million in 2024. The reasons for the decrease in profit attributable to owners of the Company were in line with those for the decrease in profit for the year.

(10) Liquidity and Capital Resources

The Group's cash and cash equivalents decreased by 28.44% to RMB1,037.03 million as at 31 December 2025, as compared with the balance of RMB1,449.17 million as at 31 December 2024, which was primarily due to (i) the increase in cash outflow from investing activities in 2025 compared to the previous year, mainly due to a loan disbursement of RMB300.00 million to the controlling shareholder, Changre Group; and (ii) the increase in cash outflow from financing activities in 2025 compared to the previous year, mainly due to the repayment of RMB615.55 million in bank loans. The main sources of the Company's operating capital were from (i) unutilised bank financing facilities of RMB1,200.91 million as at 31 December 2025; and (ii) its own funds accumulated from operating activities, as at 31 December 2025, cash and cash equivalents amounted to approximately RMB1,037.03 million. As at 31 December 2025, the Group's bank borrowings amounted to RMB446.09 million.

(11) Capital Expenditure

In 2025, the Group's capital expenditure increased by 91.55% to RMB238.38 million as compared with RMB124.45 million in 2024. The increase in capital expenditure was mainly attributable to increase in the amount of fixed assets purchased.

(12) Capital Structure

As of 31 December 2025, the equity attributable to owners of the Group amounted to RMB1,096.53 million, which represents an increase of RMB53.37 million as compared to 31 December 2024, mainly due to the profit for the year.

Gearing ratio is the percentage of total interest-bearing liabilities (including interest-bearing bank and other borrowings and lease liabilities), net of cash and cash equivalents, to total equity at the end of each financial period. As at 31 December 2025, the Group's cash and cash equivalents exceeded the Group's total interest-bearing liabilities.

(13) Loan to Changre Group

As at 31 December 2025, the Group recorded other non-current assets of RMB300 million which represented the loan provided by the Company to Changre Group pursuant to a loan agreement entered into between the Company and Changre Group dated 1 November 2024 which was drawn down in full by Changre Group as at 31 December 2025. For details, please refer to the Company's announcement dated 1 November 2024 and the paragraph headed "Connected Transactions — The Provision of the Loan" in the work report of the Directors.

IV. RISK FACTORS AND RISK MANAGEMENT

(1) Strategic risks

Policy requirements at both national and local levels relating to clean heating, energy conservation and emissions reduction, and the "dual-carbon" targets have become increasingly stringent and explicit. In optimizing its energy mix and upgrading heating systems with intelligent technologies, the Group faces multiple pressures, including substantial capital expenditures and long investment payback periods.

The Group will closely monitor and conduct in-depth analyses of relevant policies and formulate corresponding risk control strategies. It will proactively maintain regular communication with industry associations and major heat-source power plants, refine contingency plans such as emergency start-up procedures for peak-shaving boilers, and ensure that indoor temperatures remain stable and compliant with required standards.

(2) Operational Risks

Ageing heating pipelines and equipment have become increasingly prominent issues. Under extreme conditions, the probability of safety incidents may increase. Meanwhile, with the deepening application of smart heating platforms and big data analytics, the Group faces emerging security risks such as cyberattacks and data breaches.

The Group will intensify the renovation of ageing pipeline networks to enhance safety standards, establish a multi-layered protection system, and accelerate the renewal of knowledge structures and skill transformation within its workforce.

(3) Market risk

Users' expectations of heating services continue to rise, with higher performance and responsiveness requirements. In the social media era, issues such as substandard indoor temperatures or delayed service responses may quickly attract public attention and trigger adverse public opinion, thereby damaging the Group's brand image.

The tax incentives currently available to the heating industry are time-limited. Any material changes in future tax policies may directly increase the Group's tax burden and adversely affect its operating results.

The Group will continue to enhance the precision and stability of heating system controls and improve its "one-stop" online service platform. It will proactively strengthen regular communication with mainstream media to foster a positive corporate image, and will closely monitor tax policy developments with a view to securing a favourable policy environment.

(4) Legal risk

Leakage incidents caused by ageing pipeline infrastructure or other factors may give rise to economic compensation disputes or even legal proceedings. In addition, as economic contracts become increasingly complex, incomplete execution, performance, or record-keeping may lead to contractual disputes, resulting in financial losses and reputational damage to the Group.

The Group will strengthen routine inspections and preventive maintenance to reduce leakage risks at source, intensify the review of contractual terms, and enhance evidence retention and documentation management to ensure that performance obligations are traceable.

V. OTHER SIGNIFICANT EVENTS

(1) Significant Investments

The Group did not have any significant investments for the year ended 31 December 2025.

(2) Material Acquisitions and Disposals

1. On 1 November 2024, the Company and Changre Group, a controlling shareholder of the Company, entered into an assets transfer agreement (the "**2024 Assets Transfer Agreement**"), pursuant to which the Company has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell, certain buildings, coal-fired boilers and ancillary equipment used by Changre Group for heat production purposes at a consideration of RMB82,886,461.00 in accordance with the terms and conditions of the 2024 Assets Transfer Agreement. The aforesaid assets transfer was completed on 15 January 2025. For further details in relation to the aforesaid assets transfer, please refer to the Company's announcements dated 1 November 2024 and 15 January 2025 and circular dated 9 December 2024.

2. In 2025, 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) On 16 June 2025, the Company and Changre Group entered into an assets transfer agreement which was amended and supplemented by the supplemental assets transfer agreements dated 31 July 2025 and 15 August 2025 (collectively, the "**2025 Assets Transfer Agreement I**"), pursuant to which and subject to terms and conditions therein, the Company has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell 2 land parcels (with 3 sets of landownership certificates) (the "**Target Land**"), 2 pipes and trenches, 385 machineries and equipment and electronic equipment, and 1 vehicle (collectively, the "**Target Assets I**"), which are currently located in Changre Group's Dongsheng Boiler Room, Changre Group's Jingyi Boiler Room and Jilin University Nanling Campus Boiler Room, at a consideration of RMB113,930,021.65. Subsequently, as informed by Changre Group, after consultation with the Erdao Branch of the Changchun Municipal Planning and Natural Resources Bureau (長春市規劃和自然資源局二道分局), the changing of the property ownership registration of the Target Land from Changre Group to the Company (the "**Ownership Registration**") could only be effected after the buildings situated on the Target Land have obtained the relevant real estate certificates. As at 21 October 2025, certain buildings situated on the Target Land did not possess the relevant real estate certificates. In light of the above, Changre Group failed to deliver to the Group the

Target Land with proper property ownership which constituted a breach of the 2025 Assets Transfer Agreement I by Changre Group. Pursuant to the terms of the 2025 Assets Transfer Agreement I, in the event of a breach of the 2025 Assets Transfer Agreement I, the non-defaulting party has the right to require the defaulting party to continue to perform its contractual obligations thereunder, take remedial actions and/or indemnify the non-defaulting party for any losses so incurred. Accordingly, on 21 October 2025, the Company and Changre Group entered into a compensation agreement (the "**Compensation Agreement**") to set forth the compensation arrangement in respect of Changre Group's breach of the 2025 Assets Transfer Agreement I, which includes but is not limited to:

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

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

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

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

(b) On 16 June 2025, Yatai Heating (a wholly-owned subsidiary of the Company) and Changre Group entered into an assets transfer agreement which was amended and supplemented by a supplemental assets transfer agreement dated 15 August 2025 (collectively, the "**2025 Assets Transfer Agreement II**"), pursuant to which and subject to terms and conditions therein, Yatai Heating has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell 326 machineries and equipment of Changre Group's Lvyuan Business Division and Yongchun Business Division which are used by Changre Group for heat production purposes, at a consideration of RMB16,457,865.00.

(c) On 16 June 2025, the Company and Jilin Province Heating Group Co., Ltd.* (吉林省熱力集團有限公司) ("**Jilin Heating**"), a wholly-owned subsidiary of Changre Group entered into an assets transfer agreement ("**2025 Assets Transfer Agreement III**"), pursuant to which and subject to terms and conditions therein, the Company has conditionally agreed to purchase, and Jilin Heating has conditionally agreed to sell 51 machineries and equipment used by Jilin Heating for heat production purposes, at a consideration of RMB475,980.76.

The aforesaid three acquisitions were completed on 31 October 2025. Please refer to the Company's announcements dated 16 June 2025, 31 July 2025, 15 August 2025, 21 October 2025 and 31 October 2025 and circular dated 25 August 2025 for further details.

Save as disclosed above, the Group did not have any material acquisitions nor disposals for the year ended 31 December 2025.

Save as disclosed in this annual report, the Group has no significant events occurred after the Reporting Period.

(3) Future Plans for Material Investments

As of the date of this annual report, the Group does not have any concrete committed plans for material investments and capital assets for disclosure.

(4) Capital Commitment and Contingent Liabilities

The Group did not have any material capital commitment nor contingent liabilities for the year ended 31 December 2025.

(5) Charge on Assets

There was no material charge on the Group's assets for the year ended 31 December 2025.

(6) Employees and Remuneration Policies

As at 31 December 2025, the Group had a total of 1,569 employees (2024: 1,595), and the total remuneration cost amounted to RMB238.86 million (2024: RMB225.78 million), all of whom are based in the PRC. In 2025, the Group maintained its existing employees' remuneration package which comprises basic salary, position salary and monthly and yearly performance incentives in accordance with the Measures for Employees' Wage Management (《勞動工資管理辦法》). The determination of remuneration which is based on both position value and performance appraisals helps motivate employees' contribution and dedication to the Group.

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

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

VI. PROSPECTS AND OUTLOOK

In the future, the Group will actively respond to the national call for energy saving and emission reduction, closely aligning itself with the development trends of intelligentization, greening and sustainable innovation to facilitate the construction of smart enterprises. By continuously strengthening its capabilities and enhancing its market competitiveness and brand influence, the Group aims to contribute to the well-being of the people with the achievements of high-quality development.

(1) Development of operating objectives

The Group will remain firmly focused on its core urban heat supply business. In active response to industry policies, the Group will continuously expand the scale of its core business and consolidate its market share through optimized operations and diversified market-oriented strategies. In the process of enhancing market concentration and operational standardization, the Group aims to achieve efficient resource allocation and synergistic effects, thereby laying a solid foundation for sustainable development.

(2) Technology innovation and development

The Group is committed to accelerating the digital transformation, fully leveraging cutting-edge technologies such as big data and artificial intelligence to comprehensively optimize management efficiency. Concurrently, the Group will deepen the construction and refinement of information systems to facilitate seamless integration of business processes and in-depth data sharing, thus actively advancing the establishment of a smart heat supply system. Through the smart heat supply system, the Group can accurately predict the demand for heat load, so as to achieve the goal of on-demand heat supply with dynamic adjustment, thereby significantly improving the energy efficiency.

(3) Production and operation safety

The Group will continue to consolidate the foundation of safety production management, deepen the standardization of safety production, improve the emergency management system and enhance emergency response capabilities. Routine safety education and training will be conducted to systematically heighten all employees' safety awareness and practical protective skills. At the same time, the closed-loop management mechanism for identification and rectification of potential safety hazards will be strictly implemented to ensure the fulfilment of the safety production responsibilities of the entire chain, strengthen the responsibility assessment and accountability. Such efforts aim to effectively guarantee the personal safety of employees and the safety and stability of heating production and operation, thus improving the quality and efficiency of enterprise safety production work.

(4) Corporate governance

The Group continuously promotes the in-depth development of the modern enterprise system with Chinese characteristics, improves the corporate governance system and governance mechanism. By fully leveraging the core role of the Board in setting strategies, making decisions and preventing risks, it will continuously optimize the internal control system, promote the organic integration of informatization technology and governance system, improve the standardized operation level and operational risk prevention and control capability of the Company, thereby providing a solid foundation for the healthy, stable and sustainable development of the Company.

WORK REPORT OF THE DIRECTORS

The Board of the Company presents the Group's annual report for the year 2025 (the "**Annual Report**") and the audited consolidated financial statements of the Group prepared in accordance with the ASBE for the year ended 31 December 2025 (the "**Financial Statements**") to the Shareholders.

CORPORATE INFORMATION

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

Basic information of the Company is set out in "Corporate Profile" section on page 2 and "Corporate Information" section on pages 212 to 213 of this report.

PRINCIPAL BUSINESS

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

RESULTS

The audited results of operations of the Group for the year ended 31 December 2025 are set out in the combined income statement on pages 67 to 69 of this Annual Report. The financial position of the Group as at 31 December 2025 is set out in the combined statement of financial position on pages 62 to 66 of this Annual Report. The consolidated cash flows of the Group for the year ended 31 December 2025 are set out in the combined statement of cash flows on pages 70 to 72 of this Annual Report.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Group during the year are set out in "Management Discussion and Analysis" section on pages 4 to 18 of this Annual Report.

BUSINESS REVIEW

During the Reporting Period, heat supply continued to be the Group's principal business, while the Group also offered construction, maintenance and design services and others, which include (i) engineering construction, (ii) engineering maintenance, (iii) project design and others. A review of the business of the Group during the year and a discussion on the Group's future business development are set out on pages 5 to 8 and pages 17 to 18 of this Annual Report. A description of possible main risks and uncertainties that the Group may face is set out on pages 13 to 14 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is set out on pages 8 to 13 of this Annual Report. Save as disclosed in "Significant Events After The Reporting Period" on page 38 of this report and Note XV to the Financial Statements, to the best of the knowledge of the Directors, there has not been any important event affecting the Group since the end of the financial year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

WORK REPORT OF THE DIRECTORS

COMPLIANCE WITH LAWS AND REGULATIONS

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

SHARE CAPITAL

As at 31 December 2025, the total share capital of the Company was 466,700,000 Shares, divided into 350,000,000 Domestic Shares and 116,700,000 H Shares, with par value of RMB1.00 each. During the year ended 31 December 2025, the Company did not issue any new Shares in exchange for cash or other assets.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities or redeemable securities (including sale of treasury shares) during the year ended 31 December 2025. As at 31 December 2025, the Company did not hold any treasury shares.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS

For the year ended 31 December 2025, no convertible securities, options, warrants and other similar rights were issued and granted by the Company or any of its subsidiaries, and no conversion rights or subscription rights were exercised pursuant to any convertible securities, options, warrants and other similar rights issued or granted by the Company or any of its subsidiaries at any time.

ISSUE OF BONDS

For the year ended 31 December 2025, neither the Company nor any of its subsidiaries had issued any bonds.

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2025, the Company did not enter into any equity-linked agreement and there was no equity-linked agreement.

PERMITTED INDEMNITY

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

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER

The controlling shareholder of the Company did not pledge any of its shares in the Company to secure its debts or did not provide any pledge over the Company's debt or other support for the year ended 31 December 2025.

CHARGES ON ASSETS

For the year ended 31 December 2025, there were no charges on the Group's assets.

LOAN ARRANGEMENTS GRANTED TO ENTITIES

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

Save as disclosed above, for the year ended 31 December 2025, the Group did not grant any loan to any entity which is subject to disclosure requirements under Rule 13.13 of the Listing Rules.

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE

For the year ended 31 December 2025, the Company has not provided any financial assistance or guarantee to its subsidiaries, nor has it provided any financial assistance or guarantee to its subsidiaries that is required to be disclosed under Rule 13.16 of the Listing Rules.

SHARE OPTION SCHEME

For the year ended 31 December 2025, the Company did not have any share option scheme.

PRE-EMPTIVE RIGHTS

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

DIVIDEND POLICY

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

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

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

WORK REPORT OF THE DIRECTORS

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

FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company at the 2025 AGM to be held on 15 May 2026, for their consideration and approval of the payment of a final dividend of RMB0.030 per Share (tax inclusive) (2024: RMB0.065 per Share) for the year ended 31 December 2025 (the "**2025 Final Dividend**") payable to the shareholders of the Company, whose names appear on the register of members of the Company on 4 June 2026, in an aggregate amount of approximately RMB14.00 million (2024: approximately RMB30.34 million). The 2025 Final Dividend will be denominated and declared in RMB. Dividends on Domestic Shares will be paid in RMB and dividends on H Shares will be paid in Hong Kong dollars. Subject to the passing of the relevant resolution at the forthcoming AGM, the 2025 Final Dividend are expected to be paid on 24 July 2026.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Implementation Rules of the Enterprise Income Tax Law of People's Republic of China (《中華人民共和國企業所得稅法實施條例》) implemented in 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% when distributing the 2025 Final Dividend to its non-resident enterprise Shareholders of overseas H Shares (including HKSCC Nominees Limited, other corporate nominees or trustees, or other entities and organizations) whose names appear on the H Shares register of members of the Company on 4 June 2026.

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

The Company will determine the country of domicile of the individual H Share Shareholders based on the registered address as recorded in the H Share register of members of the Company on 4 June 2026 (the "**Registered Address**"). If the country of domicile of an individual H Share Shareholder is not the same as the Registered Address or if the individual H Share Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H Share Shareholder shall notify and provide relevant supporting documents to the Company on or before Thursday, 28 May 2026. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Share Shareholders may either personally or appoint a proxy to attend to the procedures in accordance with the requirements under the tax treaty notice if they fail to provide the relevant supporting documents to the Company within the time period stated above.

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

Shareholders are recommended to consult their taxation advisors for advice on the PRC, Hong Kong and other tax effects with respect to the holding and disposing of H Shares of the Company. According to the Articles of Association, the Hong Kong dollars required for the payment of cash dividends and other amount by the Company to the individual H Share Shareholders shall be arranged in accordance with the PRC regulations in relation to foreign exchange administration.

The Company was not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividend for the year ended 31 December 2025.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 15 May 2026. A notice of convening the AGM will be published and dispatched to the Shareholders (if requested) in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' rights to attend and vote at the AGM and the entitlement to the proposed 2025 Final Dividend, the register of members of the Company will be closed from Tuesday, 12 May 2026 to Friday, 15 May 2026 (both days inclusive) and from Friday, 29 May 2026 to Thursday, 4 June 2026 (both days inclusive) respectively, during which period no transfer of H Shares will be registered.

The record date for determining the entitlement of the Shareholders to attend and vote at the AGM will be Friday, 15 May 2026. In order to be eligible to attend and vote at the forthcoming AGM, holders of H Shares of the Company shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 11 May 2026.

The record date for determining the entitlement of the Shareholders to the proposed 2025 Final Dividend will be Thursday, 4 June 2026. In order to be entitled to the proposed 2025 Final Dividend (subject to the approval by the Shareholders at the forthcoming AGM), holders of H Shares of the Company shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 28 May 2026.

WORK REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out under Remark (IX) in Note V to the Financial Statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out under Remark XXXVI in Note V to the Financial Statements of this Annual Report and in the combined statement of changes in equity on pages 73 to 74 of this Annual Report, respectively.

TAX RELIEF

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

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company's reserves available for distribution amounted to approximately RMB362.84 million (as at 31 December 2024: RMB352.91 million).

DONATIONS

For the year ended 31 December 2025, the Group has donated a total of RMB0.00 (2024: RMB nil).

BANK BORROWINGS AND OTHER BORROWINGS

As at 31 December 2025, the bank borrowings and other borrowings of the Group amounted to RMB456,088,000.00 (as at 31 December 2024: RMB615,550,000.00).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Part of the information of the Directors, supervisors and senior management of the Company for the year ended 31 December 2025 and as at the date of this report is illustrated below.

Name	Position in the Company	Date of appointment
Mr. SONG Chi	Non-executive Director and Chairman of the Board	31 May 2024
Mr. ZHANG Liming	Executive Director and Vice Chairman of the Board	16 May 2025
	General Manager	16 April 2025
Mr. YANG Zhongshi	Executive Director and Vice Chairman of the Board	31 May 2024 (re-designated as non-executive Director and ceased to be the vice chairman of the Board effective from 28 March 2025)
	General Manager	31 May 2024 (resignation effective from 28 March 2025)
	Non-executive Director	28 March 2025
Mr. SHI Mingjun	Non-executive Director	16 May 2025
	Executive Director	31 May 2024 (resignation effective from 28 March 2025)
	Deputy general manager	23 July 2018 (resignation effective from 28 March 2025)
Mr. QIU Jianhua	Employee Director	16 May 2025
	Chairman of the Supervisory Committee	31 May 2024 (abolition of supervisory committee with effect from 16 May 2025)
Mr. XU Chungang	Executive Director	31 May 2024
	Deputy general manager	23 July 2018
	Financial Controller	26 March 2019
Ms. ZHANG Yan	Independent Non-executive Director	31 May 2024
Ms. DU Jie	Independent Non-executive Director	16 May 2025
Mr. CHAN Sing Fai	Independent Non-executive Director	16 May 2025
Mr. LI Yeji	Executive Director	31 May 2024 (resignation effective from 16 April 2025)
	Director of Production Department	15 November 2022
Mr. FU Yachen	Independent Non-executive Director	31 May 2024 (retired on 16 May 2025)
Mr. POON Pok Man	Independent Non-executive Director	31 May 2024 (retired on 16 May 2025)
Ms. ZHANG Wei	Supervisor	31 May 2024 (abolition of supervisory committee with effect from 16 May 2025)
Ms. LI Xiaoling	Employee representative Supervisor	31 May 2024 (abolition of supervisory committee with effect from 16 May 2025)
Mr. HUANG Jinsong	Deputy general manager	28 March 2025
Ms. LIU Yanan	Deputy general manager	1 September 2022
Mr. WAN Tao	Board Secretary	30 May 2018
	Joint company secretary	20 May 2019
	Deputy general manager	16 April 2025

WORK REPORT OF THE DIRECTORS

Each of Mr. ZHANG Liming ("**Mr. ZHANG**"), Mr. SHI Mingjun ("**Mr. SHI**"), Mr. QIU Jianhua ("**Mr. QIU**"), Ms. DU Jie ("**Ms. DU**") and Mr. CHAN Sing Fai ("**Mr. CHAN**") obtained legal advice from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 8 May 2025. Each of Mr. ZHANG, Mr. SHI, Mr. QIU, Ms. DU and Mr. CHAN has confirmed that he/she understood his/her obligations as a director of a listed issuer.

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management of the Company are set out on pages 50 to 55 of this Annual Report.

CHANGE IN INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Re-Designation of Director

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

With effect from 28 March 2025, Mr. YANG has been re-designated from an executive Director to a non-executive Director.

Resignation of Executive Directors

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

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

Resignation of Independent Non-Executive Directors

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

Each of Mr. FU Yachen ("**Mr. FU**") and Mr. Poon Pok Man ("**Mr. POON**") was appointed as an independent non-executive Director on 19 August 2019. In view of the six-year term of service period for independent non-executive Directors, on 28 March 2025, each of Mr. FU and Mr. POON has tendered his resignation as an independent non-executive Director with effect from 16 May 2025. Following the resignation of Mr. FU and Mr. POON becoming effective, (a) Mr. FU ceased to be the chairman of the remuneration committee and a member of the audit committee and the nomination committee; and (b) Mr. POON ceased to be the chairman of the audit committee and a member of the remuneration committee.

Appointment of General Manager and Appointment of an Executive Director

Mr. ZHANG has been appointed as the general manager of the Company with effect from 16 April 2025, and as an executive Director and the vice chairman of the Company with effect from 16 May 2025.

Appointment of a Non-executive Director

Mr. SHI has been appointed as a non-executive Director of the Company with effect from 16 May 2025.

Appointment of Independent Non-Executive Directors

Ms. DU and Mr. CHAN have been appointed as independent non-executive Directors of the Company with effect from 16 May 2025.

Dissolution of the Supervisory Committee

At the 2024 Annual General Meeting held on 16 May 2025, the Shareholders 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. Each of the supervisors, Mr. QIU, Ms. ZHANG Wei and Ms. LI Xiaoling, has confirmed that he or she has no disagreement with the Board and the Supervisory Committee in any respect and that there are no other matters that need to be brought to the attention of the Shareholders and the Stock Exchange.

Appointment of Senior Management

Mr. HUANG Jinsong ("**Mr. HUANG**") has been appointed as the deputy general manager of the Company with effect from 28 March 2025.

Mr. WAN Tao ("**Mr. WAN**") has been appointed as the deputy general manager of the Company with effect from 16 April 2025.

For details of the aforesaid changes of directors, supervisors and senior management, please refer to the announcements of the Company dated 28 March 2025, 16 April 2025 and 16 May 2025.

After making specific enquiry by the Company and confirmed by the Directors and the senior management, save as disclosed in this Annual Report, there is no change to any information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the interim report of 2025 and up to the date of this Annual Report.

SERVICE CONTRACTS OF DIRECTORS

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

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

EMOLUMENTS OF DIRECTORS

The emoluments of our Directors are paid in the form of fees, salaries, allowances and benefits in kind, performance bonuses and retirement scheme contributions. The details of the remuneration of the Directors of the Company are set out in Note XII, (IV) 5 Remuneration of Key Management to the Financial Statements.

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

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

For the year ended 31 December 2025, the emoluments of the senior management of the Company (other than executive Directors) are set out as below:

Remuneration (HKD)	Number of individual
Nil to 1,000,000	3

The details of Directors and the highest paid individual of the Company are set out in Note XII, (IV) 5 Remuneration of Key Management to the Financial Statements.

WORK REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

After the end of 2025 or at any time during the year, there were no transaction, arrangement or contracts of significance subsisting in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which any Director or any entity connected with the Director had a material interest directly or indirectly.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year 2025, save as disclosed below, none of the Directors or their associates had any competing interests in any business that constitutes or may constitute direct or indirect competition with the Company's businesses:

Name of Directors	Positions in the Company	Other interests
SONG Chi	Non-executive Director and Chairman of the Board	Chairman of the board of Changre Group (Note 1)
SHI Mingjun	Non-executive Director	Non-executive Director of Datang JV (Note 2)

Notes:

(1) Mr. SONG has been the chairman of the board of Changre Group since 22 April 2024.

(2) Mr. SHI has been a non-executive director of Datang JV from 9 June 2017 to 19 July 2024.

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

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

As at 31 December 2025, no Director or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests or short positions in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES

As at 31 December 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 as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholders	Types of Shares	Capacity	Number of shares/ underlying shares held (share) (Note 2)	Percentage of relevant class of share (%) (Note 3)	Percentage of total share capital (%) (Note 4)
Changre Group	Domestic Shares	Beneficial owner	325,500,000(L)	93.00	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託有限公司) (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. The Letter "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 31 December 2025.

4. Based on the total issued share capital of the Company of 466,700,000 Shares as at 31 December 2025.

MANAGEMENT CONTRACT

No contract concerning the management and administration of all or any substantial part of our business was entered into by the Company or existed in 2025.

CONTRACT OF SIGNIFICANCE

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

CONNECTED TRANSACTIONS

2024 Second Assets Transfer Agreement

On 1 November 2024. the Company and Changre Group, a controlling shareholder of the Company, entered into an assets transfer agreement (the "**2024 Second Assets Transfer Agreement**"), pursuant to which the Company has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell, certain structures, coalfired boilers and ancillary equipment used by Changre Group for heat production purposes at a consideration of RMB82,886,461.00 in accordance with the terms and conditions of the 2024 Second Assets Transfer Agreement. The aforementioned assets transfer was completed on 15 January 2025.

Pursuant to Chapters 14A of the Listing Rules, the transactions contemplated under the assets transfer agreement entered into between Yatai Heating and Changre Group dated 19 March 2024 (the "**2024 First Assets Transfer Agreement**") and the 2024 Second Assets Transfer Agreement shall be aggregated because both agreements were entered into with Changre Group and both transactions involve the acquisition of assets which were used by Changre Group for heat production purposes.

As one or more of the applicable percentage ratios as calculated under Rule14.07 of the Listing Rules in respect of the 2024 Second Assets Transfer (on a standalone basis or when aggregated with the 2024 First Assets Transfer Agreement) exceed(s) 5% but all of them are less than 25%, the 2024 Second Assets Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements thereunder.

Given that Changre Group is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company as at the date of the 2024 Second Assets Transfer Agreement, Changre Group is a connected person of the Company and the 2024 Second Assets Transfer constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios as calculated under Rule14.07 of the Listing Rules in respect of the 2024 Second Assets Transfer (on a standalone basis or when aggregated with the 2024 First Assets Transfer Agreement) exceed(s) 5%, the 2024 Second Assets Transfer is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2024 Second Assets Transfer has been completed on 15 January 2025. With effect from the completion date, all interests, rights and obligations attached to the assets have been transferred from Changre Group to the Company.

For further information regarding the aforementioned assets transfer, please refer to the Company's announcements dated 1 November 2024 and 15 January 2025, and the circular dated 9 December 2024.

The 2025 Assets Transfer Agreements

In 2025, the Group entered into the following agreements relating to the acquisition of certain heat production assets from the Controlling Shareholder Group:

(a) On 16 June 2025, the Company and Changre Group entered into an assets transfer agreement which was amended and supplemented by the supplemental assets transfer agreements dated 31 July 2025 and 15 August 2025 (the "**2025 Assets Transfer Agreement I**"), pursuant to which the Company has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell 2 land parcels (with 3 sets of land ownership certificates) (the "**Target Land**"), 2 pipes and trenches, 385 machineries and equipment and electronic equipment and 1 vehicle which are currently located in Changre Group's Dongsheng Boiler Room, Changre Group's Jingyi Boiler Room and Jilin University Nanling Campus Boiler Room (collectively, the "**Target Assets I**") at a consideration of RMB113,930,021.65 in accordance with the terms and conditions of the 2025 Assets Transfer Agreement I. Subsequently, as informed by Changre Group, after consultation with the Erdao Branch of the Changchun Municipal Planning and Natural Resources Bureau (長春市規劃和自然資源局二道分局), the changing of the property ownership registration of the Target Land from Changre Group to the Company (the "**Ownership Registration**") could only be effected after the buildings situated on the Target Land have obtained the relevant real estate certificates. As at 21 October 2025, certain buildings situated on the Target Land did not possess the relevant real estate certificates. In light of the above, Changre Group failed to deliver to the Group the Target Land with proper property ownership which constituted a breach of the 2025 Assets Transfer Agreement I by Changre Group. Pursuant to the terms of the 2025 Assets Transfer Agreement I, in the event of a breach of the 2025 Assets Transfer Agreement I, the non-defaulting party has the right to require the defaulting party to continue to perform its contractual obligations thereunder, take remedial actions and/or indemnify the non-defaulting party for any losses so incurred. Accordingly, on 21 October 2025, the Company and Changre Group entered into a compensation agreement (the "**Compensation Agreement**") to set forth the compensation arrangement in respect of Changre Group's breach of the 2025 Assets Transfer Agreement I which includes but limited to:

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

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

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

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

(b) On 16 June 2025, Yatai Heating, a wholly-owned subsidiary of the Company, and Changre Group entered into an assets transfer agreement which was amended and supplemented by a supplemental assets transfer agreement dated 15 August 2025 (collectively, the "**2025 Assets Transfer Agreement II**"), pursuant to which Yatai Heating has conditionally agreed to purchase, and Changre Group has conditionally agreed to sell 326 machineries and equipment of Changre Group's Lvyuan Business Division and Yongchun Business Division which are used for heat production purposes at a consideration of RMB16,457,865.00 in accordance with the terms and conditions of the 2025 Assets Transfer Agreement II.

(c) On 16 June 2025, the Company and Jilin Province Heating Group Co., Ltd. ("**Jilin Heating**"), a wholly-owned subsidiary of Changre Group, entered into an assets transfer agreement ("**2025 Assets Transfer Agreement III**"), 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 in accordance with the terms and conditions of the 2025 Assets Transfer Agreement III.

Pursuant to Chapters 14 and 14A of the Listing Rules, the transactions contemplated under the 2024 Second Assets Transfer Agreement, the 2025 Assets Transfer Agreement I, the 2025 Assets Transfer Agreement II and the 2025 Assets Transfer Agreement III shall be aggregated because all the agreements were entered into by the Group and the Controlling Shareholder Group within a 12-month period and all the transactions involve the acquisition of assets which were used by the Controlling Shareholder Group for heat production purposes. As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the 2024 Second Assets Transfer and the transactions contemplated under the 2025 Assets Transfer Agreement I, the 2025 Assets Transfer Agreement II and the 2025 Assets Transfer Agreement III (collectively, the "**2025 Assets Transfer**") on an aggregated basis exceed(s) 25% but all of them are less than 100%, the 2025 Assets Transfer when aggregated with the 2024 Second Assets Transfer constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement and shareholders' approval requirements thereunder.

Given that (i) Changre Group is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company as at the date of the 2025 Assets Transfer Agreement I, the 2025 Assets Transfer Agreement II and the 2025 Assets Transfer Agreement III, Changre Group is a connected person of the Company; and (ii) Jilin Heating, being a wholly-owned subsidiary of Changre Group, is a connected person of the Company, each of the 2025 Assets Transfer constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the 2025 Assets Transfer and the 2024 Second Assets Transfer, on an aggregated basis, exceed(s) 5%, the 2025 Assets Transfer when aggregated with the 2024 Second Assets Transfer is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2025 Assets Transfer were completed on 31 October 2025. With effect from 31 October 2025, all interests, rights and obligations attached to the subject assets have been transferred from the Controlling Shareholder Group to the Group. For further information regarding the 2025 Assets Transfer, please refer to the Company's announcements dated 16 June 2025, 31 July 2025, 15 August 2025, 21 October 2025 and 31 October 2025, and the circular dated 25 August 2025.

The Provision of the Loan

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

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

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

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

For the year ended 31 December 2025, the total amount advanced by the Company to Changre Group in accordance with the Loan Agreement amounted to RMB300 million.

Purchase of Coal

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

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

Changre Group is a controlling shareholder of the Company holding approximately 69.75% of the total share capital of the Company and thus a connected person of the Company. As all applicable percentage ratios under Rule14.07 of the Listing Rules in respect of the Transaction are over 0.1% but all of them are less than 5%, the Transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, the Company did not enter into any non-exempt one-off connected transactions with the controlling shareholders and connected persons of the Company during the year ended 31 December 2025.

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2025, the Company (for itself and on behalf of its subsidiaries) has entered into the following exempt and non-exempt continuing connected transactions with its connected persons which are also regarded as "related party transactions" under the applicable accounting standards. Details of these transactions are further disclosed in Note XII, (IV) to the Financial Statements of this Annual Report.

Pipes Supply Framework Agreement

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

Changre Group, the controlling shareholder of the Company, holds 35% equity interest in Jillin Province New Model Pipes Co., Ltd., ("**New Model Pipes**"), therefore, New Model Pipes is a connected person of the Company. The Company (for itself and on behalf of its subsidiaries) and New Model Pipes entered into the Pipes Supply Framework Agreement on 11 October 2023 for a term from 1 January 2024 to 31 December 2026, pursuant to which New Model Pipes shall supply pipes for heating supply to the Group in accordance with the requirements prescribed by the Group. Separate contracts would be entered into with the Group in respect of the Group's orders for pipes.

For the year ended 31 December 2025, the annual cap for total fees paid by the Group to New Model Pipes in respect of the transactions contemplated under the Pipes Supply Framework Agreement is RMB49.43 million. The actual transaction amount for the period from 1 January 2025 to 31 December 2025 is approximately RMB32.15 million.

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

Changre Group, the controlling shareholder and a connected person of the Company, holds 35% equity interests in Datang JV and thus Datang JV is a connected person of the Company.

The Company (for itself and on behalf of its subsidiaries) and Datang JV entered into the Heat Procurement Framework Agreement on 11 October 2023 for a term from 1 January 2024 to 31 December 2026, pursuant to which Datang JV shall supply heat to the Group in accordance with the requirements prescribed by the Group. Separate contracts will be entered into with the Group in respect of the Group's orders for heat.

For the year ended 31 December 2025, the annual cap for total fees paid by the Group to Datang JV in respect of the transactions contemplated under the Heat Procurement Framework Agreement is RMB34.88 million. The actual transaction amount for the period from 1 January 2025 to 31 December 2025 is approximately RMB20.57 million.

Construction Framework Agreement

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

For the year ended 31 December 2025, the annual cap for total fees received by the Group from the Controlling Shareholder Group in respect of the transactions contemplated under the Construction Framework Agreement is RMB101.30 million. The actual transaction amount for the period from 1 January 2025 to 31 December 2025 is approximately RMB20.09 million.

Heat Procurement Framework Agreement (Procurement of Heat from the Controlling Shareholder Group)

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

For the year ended 31 December 2025, the annual cap for total fees paid by the Group to the Controlling Shareholder Group in respect of the transactions contemplated under the Heat Procurement Framework Agreement is RMB240.10 million. The actual transaction amount for the period from 1 January 2025 to 31 December 2025 is approximately RMB16.05 million.

Tenancy Framework Agreement

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

For the year ended 31 December 2025, the annual cap in respect of the transactions contemplated under the Tenancy Framework Agreement is RMB10.00 million. The actual transaction amount for the period from 1 January 2025 to 31 December 2025 is approximately RMB3.65 million.

RELATED PARTY TRANSACTIONS

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

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

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

(1) carried out in the ordinary course of business of the Group;

(2) made on normal or better commercial terms; and

(3) carried out according to the terms of the relevant transaction agreements, which are fair and reasonable, and in the interests of the Company's Shareholders as a whole.

Auditor's Confirmation

The auditors of the Company have performed the relevant assurance procedures regarding the above continuing connected transactions, and confirmed by way of a letter to the Board of Directors that for the year ended 31 December 2025, in terms of these transactions:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(3) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

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

COMPLIANCE WITH THE NON-COMPETITION DEED

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

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2025, the total purchases from the five largest suppliers of the Company accounted for 50.11% of the total purchases during the year. The purchase from the largest supplier accounted for 17.87% of the total purchases during the year.

For the year ended 31 December 2025, the total sales to the five largest customers of the Company accounted for 5.81% of the total sales during the year. The sales to the largest customer accounted for 2.29% of the total sales during the year.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Hong Kong Stock Exchange, the Company always strives to maintain a high level of corporate governance. The Company has adopted the code provisions of the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules and regularly reviews its compliance with the Corporate Governance Code. Save as disclosed below, the Company complies with all applicable code provisions as set out in the Corporate Governance Code throughout the Reporting Period.

Prior to Mr. YANG's resignation on 28 March 2025, he served as an executive director and general manager of the Company. Following Mr. YANG's cessation as the general manager of the Company, the position of general manager of the Company was left vacant, which deviated from code provision C.2.1 of the Corporate Governance Code. With effect from 16 April 2025, Mr. ZHANG was appointed as the general manager of the Company, and the Company has since re-complied with code provision C.2.1 of the Corporate Governance Code.

Please refer to the section "Corporate Governance Report" in this Annual Report for details.

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

PUBLIC FLOAT

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

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 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.

AUDIT COMMITTEE

The audit committee has reviewed the Group's 2025 annual results and the Financial Statements for the year ended 31 December 2025 prepared in accordance with the ASBEs.

AUDITOR

Da Hua Certified Public Accountants (Special General Partnership) ("**Da Hua**") served as the Company's independent auditor for the financial years ended 31 December 2022 and 2023. On 8 July 2024, the Board proposed to appoint BDO China Shu Lun Pan Certified Public Accountants LLP ("**BDO**") as the auditor of the Company to fill the vacancy arising from Da Hua's retirement, which was approved by the Shareholders at the extraordinary general meeting held on 26 July 2024. The Company has appointed BDO as the independent auditor of the Company for the year ended 31 December 2025. In view of BDO's industry knowledge, technical competence and experience, its cooperation, communication and interaction with the audit committee and the management of the Group, as well as its strong risk awareness and high degree of independence, the Company will propose a resolution for consideration and approval by the Shareholders at the forthcoming annual general meeting to re-appoint BDO as the auditor of the Company for the year 2026.

WORK REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

Summary of results of operation and the assets and liabilities of the Group for the last five financial years are set out in "Financial Summary" section on page 3 of this Annual Report. The financial summary does not constitute part of the audited combined financial statements of the Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this Annual Report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2025 and up to the date of this report.

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

Jilin, the PRC
27 March 2026

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standard is essential for the Company to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has applied the principles as set out in the Corporate Governance Code contained in Part 2 of Appendix C1 to the Listing Rules.

In the opinion of the Directors, during the year ended 31 December 2025 and up to the date of this report, save for the deviation set out in the paragraph headed "Chairman of the Board and General Manager" in this report, the Company has complied with all applicable code provisions as set out in the Corporate Governance Code.

CORPORATE CULTURE

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions of the Company by the Directors and relevant employees of the Company. Upon making specific enquiries to all of the Directors and relevant employees of the Company, all Directors and relevant employees confirmed that during the year ended 31 December 2025, each of the Directors, and relevant employees has strictly complied with the required standards as set out in the Model Code.

The Company is not aware of any incident of noncompliance with the Model Code committed by any Directors or relevant employees during the year ended 31 December 2025.

BOARD OF DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. SONG Chi *(Chairman of the Board)*
Mr. YANG Zhongshi *(redesignated from 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)*

Biographical information of the Directors are set out in "Directors and Senior Management" section on pages 50 to 55 of this Annual Report. There is no financial, business, family or other material/relevant relationships between members of the Board.

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

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

The positions of the chairman of the Board and the general manager of the Company are held separately. Mr. SONG has assumed the role of the chairman of the Board of the Company. Prior to Mr. YANG's resignation on 28 March 2025, he served as an executive Director and general manager of the Company. Following the cessation of Mr. YANG as a general manager of the Company, the role of general manager of the Company became vacant which deviated from Code Provision C.2.1 of the Corporate Governance Code. With the appointment of Mr. ZHANG as a general manager with effect from 16 April 2025, the Company has re-complied with the required under Code Provision C.2.1 of the Corporate Governance Code.

The role of chairman of the Board is mainly responsible for the formulation of our corporate strategies and directing the activities of our Board, while the general manager, Mr. ZHANG, is mainly responsible for the overall management of business and operations of our Group including heat supply and heat supply related services

INDEPENDENT NON-EXECUTIVE DIRECTORS

For the year ended 31 December 2025 and up to the date of this report, the Board has been in compliance with relevant requirements of the Listing Rules, and has appointed at least three independent non-executive Directors (representing at least one-third of our Board), with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

RE-ELECTION OF DIRECTORS

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

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

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

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

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

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

The independent non-executive Directors are responsible for ensuring that the Company maintains a high standard of regulatory reporting and for maintaining a balance in the Board through practical and independent advice and judgment on corporate actions and operations, supporting the Company with their skills, expertise and background.

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

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

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

For the year ended 31 December 2025, the Board held five meetings to deal with various important matters of the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

During the year 2025, the Company provided five trainings for all Directors. Such training sessions cover a wide range of relevant topics including the determination of and liability for violations of laws and regulations regarding information disclosure, the development and standardization of the related-party transaction system under the new Company Law, the regulatory policies and key regulatory points for listed companies, and other legal, financial, management and related topics. In addition, relevant reading materials including legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying. Each of the Directors has completed the aforementioned trainings.

BOARD COMMITTEES

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

Members of each Board committee comprise independent non-executive Directors and the list of the chairperson and members of each Board committee are set out under "Corporate Information" on pages 212 to 213 of this Annual Report.

AUDIT COMMITTEE

During the period from 1 January 2025 to 16 May 2025, the audit committee comprised three members, namely Mr. POON (independent non-executive Director), Mr. FU (independent non-executive Director) and Ms. ZHANG Yan ("**Ms. ZHANG**") (independent non-executive Director), with Mr. POON as Chairman of the audit committee. Following their retirement as Directors on 16 May 2025, Mr. POON and Mr. FU ceased to be members of the audit committee. Since 16 May 2025, the audit committee comprised three members, namely Mr. CHAN (chairperson), Mr. YANG (non-executive Director) and Ms. ZHANG (independent non-executive Director). None of the members of the audit committee is a former partner of the Company's existing auditors. The primary responsibilities of the audit committee include but not limited to supervising the Company's internal control, risk management, financial information disclosure and financial reporting matters. The terms of reference of the audit committee are available on the Stock Exchange's website and the Company's website. For the work and reports of the audit committee on the risk management and internal control of the Company, please see the paragraph headed "Risk Management and Internal Control".

During the Reporting Period, the audit committee held two meetings and passed a total of 12 resolutions and made recommendations to the Board on such matters. The meetings focused on overseeing and reviewing the effectiveness of the Company's financial controls, internal controls and risk management, reviewing the annual connected transactions and the implementation of the regulations governing the connected transactions, and reviewing the Company's 2024 annual financial final report and 2025 financial budget report, and reviewing the Company's 2024 annual results, 2025 interim results, financial statements and the proposed appointment of the Company's external auditor for the year 2025.

REMUNERATION COMMITTEE

During the period from 1 January 2025 to 16 May 2025, the remuneration committee comprises three members, namely Mr. FU (independent non-executive Director), Mr. XU Chungang ("**Mr. XU**") (executive Director) and Mr. POON (independent non-executive Director), with Mr. FU as Chairman of the remuneration committee. Following their retirement as Directors on 16 May 2025, Mr. FU and Mr. POON ceased to be members of the remuneration committee. Since 16 May 2025, the remuneration committee comprises three members, namely Ms. DU (chairperson) as an independent non-executive Director, Mr. XU (executive Director) and Mr. CHAN (independent non-executive Director), with the majority being independent non-executive Directors. The primary responsibilities of the remuneration committee include but not limited to making recommendations to the Board of Directors on the Company's policy and structure for the remuneration of all Directors and senior management and on employee benefit arrangements. The terms of reference of the remuneration committee is available on the Hong Kong Stock Exchange's website and the Company's website.

During the Reporting Period, the remuneration committee held two meetings and passed a total of 3 resolutions and made recommendations to the Board on such matters. The meeting focused on reviewing the remuneration of the Directors and senior management and the relevant remuneration policy and structure, as well as the proposed remuneration policy for the proposed Directors and the contemplated director's service contract.

NOMINATION COMMITTEE

During the period from 1 January 2025 to 16 May 2025, the nomination committee comprises three members, namely Ms. ZHANG (independent non-executive Director), Mr. YANG (executive Director, and re-designated as non-executive Director on 28 March 2025) and Mr. FU (independent non-executive Director), with Ms. ZHANG as the chairperson of the nomination committee. Since 16 May 2025, the nomination committee comprises three members, namely Ms. ZHANG (chairperson) as an independent non-executive Director, Mr. SHI (non-executive Director) and Ms. DU (independent non-executive Director), with the majority being independent non-executive Directors. The primary responsibilities of the nomination committee include but not limited to making recommendations to the Board of Directors on the appointment and removal of Directors and senior management, reviewing the Nomination Policy ("**Nomination Policy**") and Board Diversity Policy ("**Board Diversity Policy**") and ensuring the Board has continuously carried out their duty of corporate governance. The terms of reference of the nomination committee is available on the Hong Kong Stock Exchange's website and the Company's website.

During the Reporting Period, the nomination committee held three meetings and passed a total of 10 resolutions and made recommendations to the Board on such matters. The meetings focused on overseeing and reviewing the structure, size, composition and diversity of the Board of the Company and assessing the independence of the independent non-executive Directors, reviewing the leadership and contribution of the Directors the implementation of corporate governance functions and policies of the Company and the nomination of candidates to the Board of Directors for the appointment as Director.

STRATEGY COMMITTEE

During the period from 1 January 2025 to 28 March 2025, the Strategy Committee consisted of three Directors, namely Mr. SONG (non-executive Director), Mr. SHI (executive Director) and Ms. ZHANG (independent non-executive Director), with Mr. SONG serving as the Chairman of the Strategy Committee. Following Mr. SHI's resignation as a Director with effect from 28 March 2025, he ceased to be a member of the Strategy Committee. During the period from 28 March 2025 to 16 May 2025, the Strategy Committee consisted of two Directors, namely Mr. SONG (non-executive Director) and Ms. ZHANG (independent non-executive Director), with Mr. SONG serving as the Chairman of the Strategy Committee. Accordingly, during the period from 28 March 2025 to 16 May 2025, the Strategy Committee only had two members, which did not comply with the terms of reference of the Strategy Committee, which require the Strategy Committee to consist of a minimum of three members.

With effect from 16 May 2025, the strategy committee comprises three members, namely Mr. SONG (chairperson), Mr. ZHANG (executive Director) and Mr. QIU (employee Director). The primary responsibility of the strategy committee is to assist the Board of Directors in formulating and evaluating our mid to long-term development strategy of the Company and its implementation plan, and to make recommendations to the Board of Directors on major corporate affairs, major investment and financing proposals. The terms of reference of the strategy committee is available on the Hong Kong Stock Exchange's website and the Company's website.

During the Reporting Period, the strategy committee held two meeting and made recommendations to the Board on such matters. The meeting mainly focused on reviewing 2024 Environmental, Social and Governance Report.

BOARD DIVERSITY AND NOMINATION POLICY

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

Our Directors have a balanced mix of knowledge and skills, including overall management, strategies and planning, heating engineering, construction projects management, legal, finance and business administration. The Board of Directors is well diversified, with three independent non-executive Directors accounting for 1/3 of the Board of Directors, two of whom are female Directors, with experience in different industries and fields. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board of Directors satisfies our Board Diversity Policy.

The Company will continue to take measures to promote diversity at all levels of the workforce. During the Reporting Period, the male-to-female ratio of the Company's total employees was 3.70:1.

The Company attaches great importance to gender diversity among its employees. In terms of promotion, salary and benefits, and employee care, all employees enjoy equal opportunities for employment, training, and career development, ensuring that gender diversity plays a positive role in promoting the Company's business development.

The nomination committee of the Board of Directors is responsible for reviewing our Board Diversity Policy from time to time to ensure its continued effectiveness. The effective implementation of the Board Diversity Policy requires that our Shareholders are able to judge for themselves whether the Board of Directors as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support.

To this end, our Shareholders will be provided with detailed information of each candidate for appointment or re-election to the Board of Directors through announcements and circulars published prior to general meetings of our Company. Further, our implementation of the Board Diversity Policy will be disclosed in our annual report.

The Company has formulated strict selection criteria in its director nomination policy. The nomination committee makes recommendations on the appointment of Board candidates or the re-appointment of existing members of the Board of Directors. The factors considered by the nomination committee when evaluating candidates include (but are not limited to) the following: (i) integrity; (ii) achievements, experience and reputation in heating business and other related industries; (iii) commitment to invest sufficient time, represent the interests of the sector and pay attention to the Company's business; (iv) diversity in all aspects of the Board of Directors, including but not limited to, gender, age, cultural/educational and professional background, skills, knowledge and experience; (v) the ability to assist and support management and make a significant contribution to the Company's success; (vi) compliance with the independence requirements for the appointment of independent non-executive directors in accordance with Rule 3.13 and code provision B.3.4 of Appendix C1 to the Listing Rules; and (vii) any other relevant factors as determined from time to time by the nomination committee or the Board of Directors.

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

The Company has also established strict nomination procedures, including: (i) the company secretary must convene a meeting and invite members of the Board of Directors to nominate candidates (if any) for consideration by the nomination committee. The nomination committee may also search extensively in the talent market and nominate candidates for consideration. Each candidate must provide a personal resume to the nomination committee; (ii) for the appointment of any candidate for the Board of Directors, the nomination committee must conduct adequate due diligence and make recommendations for consideration and approval by the Board of Directors; (iii) for the reappointment of any existing members of the Board of Directors, the nomination committee must submit suggestions to the Board of Directors for consideration and make recommendations, so that candidates can be re-elected at general meetings; (iv) the procedures for shareholders to nominate any candidate for director election will be implemented in accordance with the "Procedures for Shareholders to Nominate Candidates for Election of Directors at General Meetings of the Company and Procedures for Dismissal of Directors by Shareholders"; and (v) the Board of Directors has the final decision on all matters concerning the recommendation of candidates for election at the general meetings.

CORPORATE GOVERNANCE FUNCTIONS

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

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

ATTENDANCE RECORDS OF DIRECTORS AND MEMBERS OF BOARD COMMITTEE

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2025 is set out in the table below:

Name of Director	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	Strategy Committee	Shareholders' General Meeting
Mr. SONG Chi	5/5	—	—	—	2/2	2/2
Mr. ZHANG Liming (Note 1)	4/4	—	—	—	1/1	2/2
Mr. YANG Zhongshi (Note 2)	5/5	1/1	—	2/2	—	2/2
Mr. SHI Mingjun (Note 3)	5/5	—	—	1/1	1/1	2/2
Mr. QIU Jianhua (Note 4)	4/4	—	—	—	1/1	2/2
Mr. XU Chungang	5/5	—	2/2	—	—	2/2
Ms. ZHANG Yan	5/5	2/2		3/3	1/1	2/2
Ms. DU Jie (Note 5)	4/4	—	1/1	1/1		2/2
Mr. CHAN Sing Fai (Note 6)	4/4	1/1	1/1	—	—	2/2
Mr. LI Yeji (Note 7)	1/1	—	—	—	—	—
Mr. FU Yachen (Note 8)	1/1	1/1	1/1	2/2	—	1
Mr. POON Pok Man (Note 9)	1/1	1/1	1/1	—	—	1

Notes:

(1) Mr. ZHANG was appointed as vice chairman of the Board, executive Director and member of the strategy committee on 16 May 2025.

(2) Mr. YANG resigned as vice chairman of the Board, executive Director and general manager, and ceased to serve as a member of the nomination committee on 28 March 2025. He was appointed as a non-executive Director and a member of the audit committee on 16 May 2025.

(3) Mr. SHI resigned as an executive Director and deputy general manager of the Company, and ceased to serve as a member of the strategy committee with effect from 28 March 2025. He was appointed as a non-executive Director and a member of the nomination committee on 16 May 2025.

(4) Mr. QIU was appointed as an employee Director and member of the strategy committee on 16 May 2025.

(5) Ms. DU was appointed as an independent non-executive Director, chairperson of the remuneration committee and a member of the nomination committee on 16 May 2025.

(6) Mr. CHAN was appointed as an independent non-executive Director, chairman of the audit committee and a member of the remuneration committee on 16 May 2025.

(7) Mr. LI has resigned as an executive Director with effect from 16 April 2025.

(8) Mr. FU retired as an independent non-executive Director and ceased to serve as chairman of the remuneration committee, member of the audit committee, and member of the nomination committee on 16 May 2025.

(9) Mr. POON retired as an independent non-executive Director and ceased to serve as chairman of the audit committee and member of the remuneration committee on 16 May 2025.

Apart from regular Board meetings, the chairman also held one meeting with the independent non-executive Directors without the presence of executive Directors during the Reporting Period, mainly discussing matters concerning the review of the Company's 2024 profit distribution plan, the review of the 2024 connected transactions, and the implementation of the connected transaction management regulations. The Company considers that such meeting is one of the mechanisms to ensure independent views and recommendations are available to the Board. The Board has reviewed the effectiveness of such mechanism annually.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board fully understands its responsibilities for risk management and internal control systems, and for reviewing their effectiveness. The systems aim to manage rather than eliminate the risks of the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The major internal control policies established by the Company include internal control evaluation manual, risk management system, accounting management system, financial management system and legal affairs management system. The management has confirmed to the Board and the audit committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2025.

The Board reviews the Company's risk management and internal control systems annually. The internal audit department of the Company reviews the risk management control and process regularly and submits the review results to the audit committee. The Board, as supported by the audit committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2025, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources. Anti-Fraud Management System is in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The investigation department may conduct investigations into reported cases of fraud independently or in collaboration with the Company's business units, subject to authorization by the Company's audit committee or the Board of Directors.

ANTI-CORRUPTION POLICY

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

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR REGARDING THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2025. The Directors are not aware of any material uncertainties relating to events or conditions that may significantly affect the Company's ability to operate as a going concern. The responsibility of the external auditor of the Company on the financial statements is set out in "Auditor's Report" section on pages 56 to 61 of this report.

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

AUDITOR'S REMUNERATION

The remuneration paid or payable to the Company's external auditor by the Company in respect of audit services and non-audit services for the year ended 31 December 2025 amounted to RMB1.48 million and nil (2024: RMB1.48 million and nil), respectively.

JOINT COMPANY SECRETARIES

As at the date of this report, both Mr. WAN Tao and Ms. LEUNG Hoi Yan are the joint company secretaries of the Company. Ms. LEUNG's primary contact person at the Company is Mr. WAN.

For the year ended 31 December 2025, each of Mr. WAN and Ms. LEUNG has received no less than 15 hours of relevant professional training on reviewing the requirements under the Listing Rules and other compliance.

SHAREHOLDERS' RIGHTS

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

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

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

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

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

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

CONTACT DETAILS

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTORS RELATIONS

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

THE ARTICLES OF ASSOCIATION

The resolution in relation to the amendments to the Articles of Association of the Company were approved at the 2024 Annual General Meeting of the Company on 16 May 2025, details of which are set out in the circular of the Company dated 23 April 2025. The up-to-date version of the Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

Reference is made to the Company's announcement dated 27 March 2026 in relation to the proposed amendments to the Articles of Association. The Board resolved to propose certain amendments to the existing Articles of Association for the purpose of, among others, allow (i) the Company's shareholders to attend hybrid or virtual general meetings with the use of technology; and (ii) Shareholders to cast votes by electronic means (the "**Proposed Amendments**").

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

DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN, NON-EXECUTIVE DIRECTOR SONG CHI

Mr. SONG Chi (宋馳先生), aged 54, is currently the chairman and non-executive Director of the Company. Mr. SONG is responsible for formulating the corporate strategies of the Group and directing the activities of the Board.

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

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

VICE CHAIRMAN, EXECUTIVE DIRECTOR, GENERAL MANAGER ZHANG LIMING

Mr. ZHANG Liming (張黎明先生), aged 52, is currently the vice chairman of the Board, an executive Director and the general manager of the Company and is mainly responsible for the overall management of the Group's production, operations, and heating business.

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

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

NON-EXECUTIVE DIRECTOR
YANG ZHONGSHI

Mr. YANG Zhongshi (楊忠實先生), aged 59, joined our Group in April 1998 and has been the vice chairman of the Board, an executive Director and the general manager of our Company from 30 May 2018 to 28 March 2025. With effect from 28 March 2025, Mr. YANG has been redesignated as a non-executive Director.

Mr. YANG has approximately 35 years of working experience in the heating industry and held various senior management positions within our controlling shareholder, Changre Group. He was the deputy chief engineer and the head of the technical equipment department of Changre Group from December 2000 to December 2002 and was promoted to chief engineer since December 2002, mainly responsible for overall technology management. He served as the deputy general manager at Changre Group from February 2011 to April 2016, mainly responsible for production management, production safety management and end-users service management, and the general manager from April 2016 to May 2018, mainly responsible for overall business management and implementation of policies passed by the board of directors. Mr. YANG was appointed as a director of Changre Group from August 2017 to October 2019. Since May 2018, he has not participated in the daily operation of Changre Group and has been mainly responsible for formulation of corporate strategies. He was a director at Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司) from September 2012 to July 2018, mainly responsible for overall management of business and operations. Mr. YANG served as a director in Jilin Province Xinda Investment Management Co., Ltd. from June 2017 to November 2021 and served as a director in Yatai Heating from December 2019 to June 2025.

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

NON-EXECUTIVE DIRECTOR
SHI MINGJUN

Mr. SHI Mingjun (史明俊先生), aged 57, joined our Group in April 1998 and he has resigned as an executive Director and deputy general manager of the Company with effect from 28 March 2025. Mr. SHI has become a non-executive Director with effect from 16 May 2025.

Mr. SHI has approximately 29 years of working experience in the heating industry. He held various positions in the controlling shareholder, Changre Group, and worked successively as manager assistant, deputy manager and manager of the construction development division from June 2000 to August 2009, mainly responsible for construction of thermal power plants network, overall management of business operations and formulation of business strategies. He then worked at Changre Group as the general manager assistant from August 2009 to August 2010 and was promoted to the position of deputy general manager from August 2010 to July 2018 mainly responsible for formulation of strategies and development plans of our Group and overall management of business operations. Mr. SHI was appointed as a director of Changre Group from November 2014 to January 2018, mainly responsible for overall management of construction projects. He has worked as the deputy general manager of our Company from July 2018 to March 2025. Mr. SHI served in Datang Changre Jilin Heating Company Limited* (大唐長熱吉林熱力有限公司) as a non-executive director from June 2017 to July 2024; as the chairman (legal person) in Xixing Energy from October 2014 to June 2020 and subsequently re-designated as executive director (legal person) from June 2020 to August 2020; as an executive director and general manager in Jilin Province Chuncheng Biomass Power Co., Ltd* (吉林省春城生物質能源有限公司) from December 2018 to January 2020; and as a director in Yatai Heating from December 2019 to June 2025.

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

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

EXECUTIVE DIRECTOR, DEPUTY GENERAL MANAGER, FINANCIAL CONTROLLER XU CHUNGANG

Mr. XU Chungang (徐純剛先生), aged 52, joined our Group in April 2018 and is currently an executive Director, the deputy general manager and financial controller of our Company, mainly responsible for finance affairs of our Group.

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

EMPLOYEE DIRECTOR QIU JIANHUA

Mr. QIU Jianhua (仇建華先生), aged 59, served as a Supervisor and the chairman of the Supervisory Committee from 28 May 2021 to 16 May 2025.

Mr. QIU has served in various positions in Changre Group, the controlling shareholder of the Company, including as coordinator of the production planning section from August 1987 to November 1992, section officer of the personnel department from November 1992 to May 1994, deputy chief of the operation department from May 1994 to June 1998, chief of the operation department and manager of the debt collection business from June 1998 to March 2004 and chief of the general operation and planning department from March 2004 to May 2011. He was promoted to the position of assistant general manager of Changre Group from May 2011 to December 2014 and has been the deputy general manager of Changre Group from December 2014 to March 2025, a director of Changre Group from October 2019 to September 2022 as well as the manager of Yatai Heating from December 2019 to December 2020.

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

INDEPENDENT NON-EXECUTIVE DIRECTOR ZHANG YAN

Ms. ZHANG Yan (張彥女士), aged 46, is an independent non-executive Director of our Company. She was appointed as our independent non-executive Director on 31 May 2024. She is responsible for overseeing the management of our Group independently.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTOR DU JIE

Ms. DU Jie (杜婕女士), aged 70, is a member of the China Association for Promoting Democracy (CAPD) and a Chinese Certified Public Accountant. She earned her Ph.D. in World Economy from the Northeast Asian Research Institute of Jilin University in 1999. With nearly four decades of experience in academia and research, Ms. DU has served as a faculty member at the School of Economics of Jilin University since 1986, specializing in teaching and research. She has held multiple prominent roles, including professor and doctoral supervisor in the Department of National Economic Management and the Department of Accounting at Jilin University, vice dean of the School of Economics at Jilin University, deputy to the 11th National People's Congress, member of the 12th National Committee of the Chinese People's Political Consultative Conference (CPPCC), standing committee member of the 9th, 10th, and 11th Jilin Provincial People's Congresses, and standing committee member of the 12th Jilin Provincial Committee of the CPPCC. Since 2015, she has served as a counsellor to the Counsellors' Office of the Jilin Provincial People's Government, advising on political affairs. Since May 2020, she has been appointed as an independent director of Jilin Yatai (Group) Co., Ltd* (吉林亞泰(集團)股份有限公司). Additionally, since August 2022, she has held positions as an independent director at both Jilin Liyuan Precision Manufacturing Co., Ltd.* (吉林利源精製股份有限公司) and Runze Intelligent Computing Technology Group Co., Ltd.* (潤澤智算科技集團股份有限公司).

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTOR CHAN SING FAI

Mr. CHAN Sing Fai (陳昇輝先生), aged 42, is currently a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Chartered Secretaries. Mr. CHAN possesses extensive professional expertise in corporate governance, corporate finance, and auditing. Mr. CHAN has served as financial controller of Global Bio-chem Technology Group Company Limited (大成生化科技集團有限公司) (Stock Code: 0809) and Global Sweeteners Holdings Limited (大成糖業控股有限公司) (Stock Code: 3889) since April 2018. He currently holds the dual roles of financial controller and company secretary for Global Bio-chem Technology Group Company Limited and Global Sweeteners Holdings Limited, where he is responsible for executing financial management and corporate secretarial functions. From February 2020 to November 2020, Mr. CHAN served as an independent non-executive director of Asia Energy Logistics Group Limited (亞洲能源物流集團有限公司) (Stock Code: 0351), where he was responsible for reviewing annual and interim financial statements and performing related functions.

Mr. CHAN graduated from the Hong Kong Polytechnic University with a bachelor's degree with honours in accountancy in 2007 and attained a master's degree in Corporate Governance from the Hong Kong Polytechnic University in 2015.

DEPUTY GENERAL MANAGER HUANG JINSONG

Mr. HUANG Jinsong (黃金嵩先生), aged 53, is currently the deputy general manager of the Company and is mainly responsible for the Group's planning and material procurement management.

Mr. HUANG served as a technician at the High-tech Management Office of Changchun City Heat Supplies Operation Co., Ltd.* (長春市供熱公司高新管理處)from July 1996 to May 1998, and as a technician at the Planning Office of Changchun City Heat Supplies Operation Co., Ltd.* (長春市供熱公司計劃處技術員) from May 1998 to January 2004. He successively served as the deputy director and director of the Technical Equipment Department of Changchun City Heat Supplies Operation Co., Ltd.* (長春市供熱公司技術設備部) from January 2004 to February 2014, and served as the deputy general manager of Changchun Heating (Group) Co., Ltd. from February 2014 to March 2025. Since 28 March 2025, he was appointed as the deputy general manager of the Company.

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

DEPUTY GENERAL MANAGER LIU YANAN

Ms. LIU Yanan (劉亞男女士), aged 55, is currently the deputy general manager of the Company and is mainly responsible for the Group's daily office operations management.

Ms. LIU served as an HVAC technician in the technical section of Changre Group's Green Park Institute* (長熱集團綠園所) from September 1992 to April 1994, as the head of the production technology section of Tiexi Branch Company of Changre Group (長熱集團鐵西公司) from March 1994 to April 2003, as the assistant manager and head of the production section of Nanguan Branch Company of Changre Group (長熱集團南關分公司) from April 2003 to April 2004, and successively as a deputy director and director of safety production department of Changre Group from April 2004 to June 2018, as a director of Changre Group from July 2017 to September 2023, as the director of production department of the Company from June 2018 to November 2022, and successively served as Chief Dispatching Officer, Secretary of Party General Branch of Chuncheng and the director of social work department of the Company from November 2019 to July 2023, and has served as the deputy general manager of the Company since September 2022. She has served as a chairman of Jilin Province Northeast Heating Co., Ltd.* (吉林省東北供熱有限公司) since November 2022, and as the general manager of Yatai Heating from January 2023 to July 2025.

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

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

Mr. WAN Tao (萬滔先生), aged 40, joined our Group in May 2011. He was appointed as our Board secretary in May 2018 and our joint company secretary on 20 May 2019, and was appointed as the Deputy General Manager of the Company with effect from 16 April 2025, responsible for the strategic development, heat supply market development, and construction project management of the Group.

Mr. WAN was the secretary and archivist and project statistician of Erdao Division of our controlling shareholder, Changre Group, from May 2011 to October 2012 and from October 2012 to May 2013, respectively, mainly responsible for news publication and preparing plans for heat production; communications officer for the party branch at Changre Group from May 2013 to May 2015, mainly responsible for publications and media communications; deputy head of fuel management of Changre Group from May 2015 to May 2017, mainly responsible for securing coal supply for heat production; and deputy director of office from May 2017 to May 2018. Mr. WAN was the director of general office of our Company from May 2018 to July 2023, as the assistant to general manager of the Company from September 2022 to July 2023 and served as the Secretary of Party General Branch of Chuncheng from July 2023 to September 2024. Mr. WAN has been the vice chairman and director of Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司) since July 2024.

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

AUDITOR'S REPORT

XIN KUAI SHI BAO ZI [2026] No.ZB10108

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

1. OPINION

We have audited the financial statements of Jilin Province Chuncheng Heating Company Limited (hereinafter "Chuncheng Heating"), which comprise the combined and parent company's statements of financial position as at 31 December 2025, and the combined and parent company's income statements, the combined and parent company's statements of cash flows, the combined and parent company's statements of changes in equity for the year 2025, and related notes to the financial statements.

In our opinion, the attached financial statements, which were prepared in accordance with the requirements of ASBEs in all material aspects, give a true and fair view of the combined and parent company's financial position of Chuncheng Heating as at 31 December 2025, and of the combined and parent company's financial performance and cash flows for the year 2025.

2. BASIS OF OPINION

We conducted our audit in accordance with the China Registered Accountants Auditing Standards. Our responsibilities under those standards are further described in the section headed "Certified Public Accountant's Responsibilities for the Audit of the Financial Statements" of our report. We are independent of the Chuncheng Heating in accordance with the China's CPA Independence Standard No. 1 — Requirements for Independence of Financial Statement Audit and Review Business and the China Standards on Auditing's Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities. We conducted the audit in compliance with the independence requirement regarding audit of a public interest entity. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. KEY AUDIT MATTERS

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

We identified the following key audit matters in our audit:

Key audit matters	How our audit addressed key audit matters
(1) Revenue Recognition Please refer to Note III, (XXIII) and V, (XXXVIII) to the financial statements for information on the accounting policies and carrying amounts related to the revenue of Chuncheng Heating. The revenue of Chuncheng Heating is mainly from heat supply business. Revenue from heat supply for the year 2025 amounted to RMB1,664.7479 million, representing 97.65% of the Chuncheng Heating's combined revenue. According to Note III, (XXIII) to the financial statements, revenue from heat supply of Chuncheng Heating is recognised on the basis of the actual heating area and the heating price approved by relevant government departments, and is recognised in monthly instalments over the heating period in proportion to the number of heating days as a percentage of the total number of heating days. As the recognition of revenue from heat supply business is one of the key performance indicators of the Company, there is an inherent risk that management may manipulate revenue to meet its specific objectives or expectations. Therefore, we have identified the recognition of revenue from heat supply business as a key audit matter.	In the course of our audit of the financial statements for the current period, the key auditing procedures we implemented for recognition of revenue from heat supply business include: (1) understand and assess the management's internal control design relating to the recognition of revenue from heat supply business and test the effectiveness of the implementation of key controls; (2) obtain maps of the heating pipelines to randomly verify the location of users in the billing system; (3) randomly verify household area floor plans drawn up by the community developers and compare them with the heat supply contract and heat billing system data to confirm the accuracy of the heat service area; (4) randomly verify pricing documents and heat supply contracts to confirm the unit price of heat supply; (5) spot check the reasonableness of the recognition of revenue from heat supply by means of analytical review, etc.; (6) randomly verify bank receipts for consistency with the heat billing system; (7) confirm the effectiveness of system controls relating to the heating billing system during the Reporting Period by using the method of information system application control testing, and verify the consistency of business data with financial data by performing recalculation through computer-aided audit techniques; (8) perform cut-off tests on the revenue from heat supply with a focus on whether there exists any material inter-period revenue.

Key audit matters	How our audit addressed key audit matters
(2) Impairment of goodwill Please refer to Note III, (XIX) and V, (XIII) to the financial statements for information on the accounting policies and carrying amounts related to impairment of goodwill of Chuncheng Heating. As at 31 December 2025, Chuncheng Heating had a goodwill value of RMB74.8477 million. The management ("Management") of Chuncheng Heating performs an impairment test on goodwill at the end of each year. When impairment test is performed by the Management on goodwill together with its relevant asset group or asset group combination, the recoverable amount of the relevant asset group or asset group combination will be calculated and determined according to the present value of the expected future cash flows. Key assumptions used in the impairment test include: detailed forecast period revenue growth rate, perpetual forecast period growth rate, gross profit margin, discount rate, etc. Due to the significant amount of goodwill and the fact that impairment test on goodwill involves significant judgments of the Management, we determine the impairment of goodwill as a key audit matter.	With regard to the impairment of goodwill, our audit procedures mainly include: 1. understand the key internal control related to the impairment of goodwill, assess its design and operation, and test the operation effectiveness of relevant internal control; 2. review the forecast of the present value of future cash flows by the Management in previous years and the actual operating results, and evaluate the accuracy of historical expectations made by the Management; 3. understand and assess the competence, professionalism and objectivity of the external valuation expert engaged by the Management; 4. assess the reasonableness and consistency of methods used by the Management in the impairment test; 5. assess the reasonableness of the key assumptions used by the Management in the impairment test, and review whether the relevant assumptions are consistent with the overall economic environment, industry conditions, operating conditions, historical experience and operating plans; 6. test the accuracy, completeness and relevance of data used by the Management in the impairment test, and review the internal consistency of the relevant information in the impairment test; 7. check whether the information on goodwill impairment has been properly presented in financial statements.

4. OTHER INFORMATION

The management ("Management") of Chuncheng Heating is responsible for other information. The other information comprises the information included in the 2025 annual report of Chuncheng Heating, but does not include the financial statements and our audit report.

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

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

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

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

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

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

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

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

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

AUDITOR'S REPORT

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

(1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of internal control.

(3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) conclude on the appropriateness of the Management's use of the going concern basis of assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Chuncheng Heating's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required in our auditor's report to draw the attention of the statements' users to the related disclosures in these financial statements or, if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the information obtained up to the date of our auditor's report. However, future events or conditions may cause Chuncheng Heating to cease to continue as a going concern.

(5) evaluate the overall presentation (including disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) obtain sufficient and appropriate audit evidence on the financial information of entities or business activities in Chuncheng Heating in order to express audit opinions on the combined financial statements. We are responsible for guiding, supervising and executing the audits of the Group and we take full responsibility for the audit opinions.

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

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

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

BDO China SHU LUN PAN Certified Public Accountants LLP	Chinese Certified Public Accountant: (Engagement partner) Zhang Ming (張鳴)
Shanghai, China	Chinese Certified Public Accountant: Zhang Qiong (張瓊)

27 March 2026

COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2025

(presented in RMB unless otherwise stated)

Asset	Note V	Balance as at end of the period	Closing balance of previous year
CURRENT ASSETS:			
Monetary fund	(I)	**1,043,630,142.74**	1,455,774,167.52
Settlement reserve			
Loans to banks and other financial institutions			
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable			
Trade receivables	(II)	**208,929,467.19**	292,454,028.46
Trade receivables financing			
Prepayments	(III)	**532,773,639.69**	696,052,863.29
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance contract			
Other receivables	(IV)	**148,686,365.96**	143,150,344.45
Financial assets held under resale agreements			
Inventories	(V)	**6,679,493.49**	8,788,546.82
Of which: Data resource			
Contract assets	(VI)	**27,287,687.46**	46,964,015.19
Assets held for sale			
Non-current assets due within one year			
Other current assets	(VII)	**49,315,500.20**	33,620,803.95
TOTAL CURRENT ASSETS		**2,017,302,296.73**	2,676,804,769.68

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

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

COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2025

(presented in RMB unless otherwise stated)

Asset	Note V	Balance as at end of the period	Closing balance of previous year
NON-CURRENT ASSETS:			
Loans and advances released			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other equity instrument investments			
Other non-current financial assets			
Investment properties	(VIII)	**5,098,704.46**	
Fixed assets	(IX)	**937,849,726.79**	850,266,318.15
Construction-in-progress	(X)	**69,666,394.71**	53,612,884.26
Biological assets			
Fuel and gas assets			
Right-of-use assets	(XI)	**7,164,611.34**	10,060,235.07
Intangible assets	(XII)	**16,087,129.92**	17,259,945.80
Of which: Data resource			
Development costs			
Of which: Data resource			
Goodwill	(XIII)	**74,847,680.43**	74,847,680.43
Long-term deferred expenditures			
Deferred income tax assets	(XIV)	**65,907,742.21**	62,984,246.27
Other non-current assets	(XV)	**300,000,000.00**	
TOTAL NON-CURRENT ASSETS		**1,476,621,989.86**	1,069,031,309.98
TOTAL ASSETS		**3,493,924,286.59**	3,745,836,079.66

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

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

COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2025

(presented in RMB unless otherwise stated)

Liabilities and owners' equity	Note V	Balance as at end of the period	Closing balance of previous year
CURRENT LIABILITIES:			
Short-term borrowings	(XVII)	**155,692,589.71**	616,185,080.42
Borrowings from central bank			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable	(XVIII)		88,600,000.00
Trade payables	(XIX)	**248,622,217.67**	288,333,372.32
Advances			
Contract liabilities	(XX)	**1,420,552,518.20**	1,436,470,122.36
Financial assets sold under repurchase agreements			
Deposits from customers and deposits from banks			
Accounts payable to brokerage clients			
Amounts payable to underwriting clients			
Salaries payable	(XXI)	**107,565,659.09**	107,132,207.59
Tax payable	(XXII)	**14,966,418.17**	19,188,754.70
Other payables	(XXIII)	**26,547,616.92**	17,117,505.96
Fees and commissions payable			
Reinsurance amounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	(XXIV)	**19,504,999.80**	5,912,595.53
Other current liabilities	(XXV)	**289,629.93**	34,420.48
TOTAL CURRENT LIABILITIES		**1,993,741,649.49**	2,578,974,059.36

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

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

COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2025

(presented in RMB unless otherwise stated)

Liabilities and owners' equity	Note V	Balance as at end of the period	Closing balance of previous year
NON-CURRENT LIABILITIES:			
Provision for insurance contract			
Long-term borrowings	(XXVI)	**290,729,625.00**	
Bonds payable			
Of which: Preference shares			
Perpetual bonds			
Lease liabilities	(XXVII)	**3,280,963.15**	6,700,386.05
Long-term payables	(XXVIII)		2,584,506.04
Long-term salaries payable	(XXIX)	**33,568,188.24**	34,548,188.24
Estimated liabilities			
Deferred income	(XXX)	**53,563,075.88**	52,153,256.12
Deferred income tax liabilities	(XV)	**21,285,544.83**	26,485,876.24
Other non-current liabilities	(XXXI)	**1,229,995.52**	1,229,995.52
TOTAL NON-CURRENT LIABILITIES		**403,657,392.62**	123,702,208.21
TOTAL LIABILITIES		**2,397,399,042.11**	2,702,676,267.57

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

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

COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2025

(presented in RMB unless otherwise stated)

Liabilities and owners' equity	Note V	Balance as at end of the period	Closing balance of previous year
OWNERS' EQUITY:			
Share capital	(XXXII)	**466,700,000.00**	466,700,000.00
Other equity instruments			
Of which: Preference shares			
Perpetual bonds			
Capital reserve	(XXXIII)	**956,207.53**	
Less: Treasury stock			
Other comprehensive income	(XXXIV)	**–5,849,142.82**	–7,364,142.82
Special reserves	(XXXV)	**25,153,134.39**	25,630,609.10
Surplus reserve	(XXXVI)	**49,604,607.55**	45,131,170.29
Provision for general risk			
Undistributed profits	(XXXVII)	**559,960,437.83**	513,062,175.52
Total owners' equity attributable to the parent company		**1,096,525,244.48**	1,043,159,812.09
Minority interests			
TOTAL OWNERS' EQUITY		**1,096,525,244.48**	1,043,159,812.09
TOTAL LIABILITIES AND OWNERS' EQUITY		**3,493,924,286.59**	3,745,836,079.66

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

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

COMBINED INCOME STATEMENT

Year 2025

(presented in RMB unless otherwise stated)

Item	Note V	Current period	Previous period
I. TOTAL OPERATING INCOME		**1,704,750,642.57**	1,805,700,163.91
Of which: Operating income	(XXXVIII)	**1,704,750,642.57**	1,805,700,163.91
Interest income			
Premiums earned			
Fees and commission income			
II. TOTAL OPERATING COSTS		**1,601,043,534.28**	1,660,616,669.13
Of which: Operating costs	(XXXVIII)	**1,479,759,822.61**	1,548,545,151.47
Interest expenses			
Fees and commission expenses			
Surrenders			
Net payments for insurance claims			
Net provision for deposit for insurance contracts			
Policy dividend expenses			
Reinsurance expenses			
Taxes and surcharges	(XXXIX)	**3,720,415.98**	4,746,912.72
Selling expenses	(XL)	**682,619.67**	812,474.93
Administrative expenses	(XLI)	**103,940,379.35**	108,944,773.23
Research and development expenses	(XLII)	**1,221,069.84**	1,486,773.25
Financial costs	(XLIII)	**11,719,226.83**	–3,919,416.47
Of which: Interest expenses	(XLIII)	**17,935,704.02**	9,255,842.25
Interest income	(XLIII)	**6,235,745.68**	13,735,707.44
Add: Other income	(XLIV)	**7,356,594.64**	5,987,107.70
Investment income ("–" denotes loss)	(XLV)	**16,287,631.26**	
Of which: Investment income from associates and joint ventures			
Gain on derecognition of financial assets measured at amortized cost			
Exchange income ("–" denotes loss)			
Net gain from hedging exposure ("–" denotes loss)			
Gain on changes in fair value ("–" denotes loss)			
Credit impairment loss ("–" denotes loss)	(XLVI)	**–36,190,324.37**	–20,918,284.53
Impairment loss on assets ("–" denotes loss)	(XLVII)	**23,708,201.01**	7,897,909.73
Gain on disposal of assets ("–" denotes loss)	(XLVIII)		86,422.03

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

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

COMBINED INCOME STATEMENT

Year 2025

(presented in RMB unless otherwise stated)

Item	Note V	Current period	Previous period
III. OPERATING PROFIT ("–" denotes loss)		**114,869,210.83**	138,136,649.71
Add: Non-operating income	(XLIX)	**1,934,385.36**	1,713,662.96
Less: Non-operating expenses	(L)	**1,836,091.15**	1,529,646.74
IV. TOTAL PROFIT ("–" denotes total loss)		**114,967,505.04**	138,320,665.93
Less: Income tax expenses	(LI)	**33,260,305.47**	38,421,005.21
V. NET PROFIT ("–" denotes net loss)		**81,707,199.57**	99,899,660.72
(I) Classified by continuity of operation			
1. Net profit from continuing operation ("–" denotes net loss)		**81,707,199.57**	99,899,660.72
2. Net profit from discontinued operation ("–" denotes net loss)			
(II) Classified by ownership			
1. Net profit attributable to owners of the parent company ("–" denotes net loss)		**81,707,199.57**	99,899,660.72
2. Minority interests ("–" denotes net loss)			
VI. OTHER COMPREHENSIVE INCOME, NET OF TAX		**1,515,000.00**	–4,577,500.00
Other comprehensive income attributable to owners of the parent company, net of tax		**1,515,000.00**	–4,577,500.00
(I) Other comprehensive income that may not be reclassified to profit or loss		**1,515,000.00**	–4,577,500.00
1. Net changes from re-measurement of defined benefit plans		**1,515,000.00**	–4,577,500.00
2. Other comprehensive income that may not be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of the company's own credit risk			

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

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

Year 2025

(presented in RMB unless otherwise stated)

Item	Note V	Current period	Previous period
(II) Other comprehensive income that may be reclassified to profit or loss			
1. Other comprehensive income that may be transferred to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amounts of financial assets reclassified to other comprehensive income			
4. Credit impairment provision for other debt investments			
5. Reserves for cash flows hedges			
6. Differences on foreign currency translation			
7. Others			
Other comprehensive income attributable to minority shareholders, net of tax			
VII. TOTAL COMPREHENSIVE INCOME		**83,222,199.57**	95,322,160.72
Total comprehensive income attributable to owners of the parent company		**83,222,199.57**	95,322,160.72
Total comprehensive income attributable to minority shareholders			
VIII. EARNINGS PER SHARE:			
(I) Basic earnings per share (RMB per share)	(LII)	**0.18**	0.21
(II) Diluted earnings per share (RMB per share)	(LII)	**0.18**	0.21

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

COMBINED STATEMENT OF CASH FLOWS

Year 2025

(presented in RMB unless otherwise stated)

Item	Note V	Current period	Previous period
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		**1,930,222,130.67**	1,878,123,154.26
Net increase in deposits from customers and placements from bank and other financial institutions			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from original insurance contract premium			
Net cash receive form reinsurance business			
Net increase in insurance deposit and investment funds			
Cash received of interest, charges and commission			
Net increase in placements from banks			
Net increase in funds for repurchasing business			
Net cash received from trading securities			
Refund of taxes and surcharges			1,040,552.19
Cash received relating to other operating activities	(LIII)	**213,135,393.01**	41,013,537.89
Sub-total of cash inflows from operating activities		**2,143,357,523.68**	1,920,177,244.34
Cash paid for purchase of goods and receipt of services		**1,420,461,555.41**	1,506,142,470.07
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other financial institutions			
Cash benefits paid for original insurance contracts			
Net increase in placement with banks			
Cash paid for interest, charges and commission			
Cash paid for dividend of the insurance			
Cash paid to and on behalf of employees		**290,480,341.06**	270,631,325.72
Payments of tax charges		**51,555,711.46**	77,091,173.54
Cash paid relating to other operating activities	(LIII)	**51,848,063.95**	30,292,140.87
Sub-total of cash outflows from operating activities		**1,814,345,671.88**	1,884,157,110.20
Net cash flows from operating activities		**329,011,851.80**	36,020,134.14

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

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

Year 2025

(presented in RMB unless otherwise stated)

Item	Note V	Current period	Previous period
II. Cash flows from investing activities			
Cash received from recovery of investments			
Cash received from returns on investments		**5,054,250.00**	
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets			40,680.50
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities		**5,054,250.00**	40,680.50
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**238,377,727.92**	124,454,918.04
Cash paid to acquire investments		**300,000,000.00**	138,000,000.00
Net increase in pledged loans			
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		**538,377,727.92**	262,454,918.04
Net cash flows from investing activities		**–533,323,477.92**	–262,414,237.54

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

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

COMBINED STATEMENT OF CASH FLOWS

Year 2025

(presented in RMB unless otherwise stated)

Item	Note V	Current period	Previous period
III. Cash flows from financing activities			
Cash received from capital contributions			
Of which: Cash received from investment by minority shareholders to subsidiaries			
Cash received from borrowings		**456,088,000.00**	615,550,000.00
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		**456,088,000.00**	615,550,000.00
Cash paid for repayment of borrowings		**615,550,000.00**	
Cash paid for distribution of dividends, profits or interest payment		**47,489,554.10**	49,230,314.48
Of which: Payments for distribution of dividends or profits to minority shareholders by subsidiaries			
Cash paid relating to other financing activities	(LIII)	**864,540.00**	1,816,288.49
Sub-total of cash outflows from financing activities		**663,904,094.10**	51,046,602.97
Net cash flows from financing activities		**–207,816,094.10**	564,503,397.03
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**–16,304.56**	23,263.98
V. Net increase in cash and cash equivalents	(LIV)	**–412,144,024.78**	338,132,557.61
Add: Cash and cash equivalents balance at beginning of the period	(LIV)	**1,449,174,167.52**	1,111,041,609.91
VI. Cash and cash equivalent balance at end of the period	(LIV)	**1,037,030,142.74**	1,449,174,167.52

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

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

COMBINED STATEMENT OF CHANGES IN EQUITY

Year 2025

(presented in RMB unless otherwise stated)

	Current period													
	Owners' equity attributable to the parent company													
		Other equity instruments												
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Sub-total	Minority interests	Total owners' equity
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	1,043,159,812.09		1,043,159,812.09
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	1,043,159,812.09		1,043,159,812.09
III. Changes during the period (presented by a "-" sign for decrease)					956,207.53		1,515,000.00	–477,474.71	4,473,437.26		46,898,262.31	53,365,432.39		53,365,432.39
(I) Total comprehensive income							1,515,000.00				81,707,199.57	83,222,199.57		83,222,199.57
(II) Owners' contribution and capital reduction					956,207.53							956,207.53		956,207.53
1. Ordinary shares contribution by owners														
2. Capital invested by other equity instrument holders														
3. Share payment included in the owner's equity														
4. Others					956,207.53							956,207.53		956,207.53
(III) Profit appropriation									4,473,437.26		–34,808,937.26	–30,335,500.00		–30,335,500.00
1. Withdrawal of surplus reserve									4,473,437.26		–4,473,437.26			
2. Withdrawal of general risk reserve														
3. Distribution to owners (or shareholders)											–30,335,500.00	–30,335,500.00		–30,335,500.00
4. Others														
(IV) Internal transfer of owners' equity														
1. Capital reserve transferred to capital (or share capital)														
2. Surplus reserve transferred to capital (or share capital)														
3. Surplus reserve make up for losses														
4. Changes of defined benefits plan transferred to retained earnings														
5. Other comprehensive income transferred to retained earnings														
6. Others														
(V) Special reserve								–477,474.71				–477,474.71		–477,474.71
1. Withdrawal in the current period														
2. Utilized in the current period								477,474.71				477,474.71		477,474.71
(VI) Others														
IV. Closing balance of current period	466,700,000.00				956,207.53		–5,849,142.82	25,153,134.39	49,604,607.55		559,960,437.83	1,096,525,244.48		1,096,525,244.48

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

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

COMBINED STATEMENT OF CHANGES IN EQUITY

Year 2025

(presented in RMB unless otherwise stated)

	Previous period													
	Owners' equity attributable to the parent company													
		Other equity instruments												
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Sub-total	Minority interests	Total owners' equity
I. Closing balance of previous year	466,700,000.00						−2,786,642.82	25,636,436.53	38,565,035.73		461,731,649.36	989,846,478.80		989,846,478.80
Add: Change in accounting policy														
Correction of accounting errors for prior period														
Business combination under common control														
Others														
II. Opening balance of current year	466,700,000.00						−2,786,642.82	25,636,436.53	38,565,035.73		461,731,649.36	989,846,478.80		989,846,478.80
III. Changes during the current period (presented by a "-" sign for decrease)							−4,577,500.00	−5,827.43	6,566,134.56		51,330,526.16	53,313,333.29		53,313,333.29
(I) Total comprehensive income							−4,577,500.00				99,899,660.72	95,322,160.72		95,322,160.72
(II) Owners' contribution and capital reduction														
1. Ordinary shares contribution by owners														
2. Capital invested by other equity instrument holders														
3. Share payment included in the owner's equity														
4. Others														
(III) Profit appropriation									6,566,134.56		−48,569,134.56	−42,003,000.00		−42,003,000.00
1. Withdrawal of surplus reserve									6,566,134.56		−6,566,134.56			
2. Withdrawal of general risk reserve														
3. Distribution to owners (or shareholders)											−42,003,000.00	−42,003,000.00		−42,003,000.00
4. Others														
(IV) Internal transfer of owners' equity														
1. Capital reserve transferred to capital (or share capital)														
2. Surplus reserve transferred to capital (or share capital)														
3. Surplus reserve make up for losses														
4. Changes of defined benefits plan transferred to retained earnings														
5. Other comprehensive income transferred to retained earnings														
6. Others														
(V) Special reserve								−5,827.43				−5,827.43		−5,827.43
1. Withdrawal in the current period														
2. Utilized in the current period								5,827.43				5,827.43		5,827.43
(VI) Others														
IV. Closing balance of current year	466,700,000.00						−7,364,142.82	25,630,609.10	45,131,170.29		513,062,175.52	1,043,159,812.09		1,043,159,812.09

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

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

STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

31 December 2025

(presented in RMB unless otherwise stated)

Asset	Note XVII	Balance as at end of the period	Balance as at end of previous year
CURRENT ASSETS:			
Monetary fund		**960,754,788.25**	1,383,494,276.12
Held-for-trading financial assets			
Derivative financial assets			
Bills receivable			
Trade receivables	(I)	**61,986,056.92**	96,526,100.19
Trade receivables financing			
Prepayments		**522,892,767.43**	664,349,822.29
Other receivables	(II)	**188,143,763.16**	198,247,101.59
Inventories		**2,412,765.09**	2,227,592.91
Of which: Data resource			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		**39,804,858.04**	23,996,572.08
TOTAL CURRENT ASSETS		**1,775,994,998.89**	2,368,841,465.18

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

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

STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

31 December 2025

(presented in RMB unless otherwise stated)

Asset	Note XVII	Balance as at end of the period	Balance as at end of previous year
NON-CURRENT ASSETS:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	(III)	**585,309,527.07**	585,309,527.07
Other equity instrument investments			
Other non-current financial assets			
Investment properties		**9,326,537.93**	
Fixed assets		**710,119,695.43**	607,807,154.25
Construction-in-progress		**67,581,660.51**	51,763,530.90
Biological assets			
Fuel and gas assets			
Right-of-use assets		**5,195,076.12**	6,243,395.21
Intangible assets		**5,480,602.11**	6,359,726.30
Of which: Data resource			
Development costs			
Of which: Data resource			
Goodwill			
Long-term deferred expenditures		**1,600,561.22**	2,009,215.22
Deferred income tax assets		**27,683,162.56**	25,239,107.97
Other non-current assets		**300,000,000.00**	
TOTAL NON-CURRENT ASSETS		**1,712,296,822.95**	1,284,731,656.92
TOTAL ASSETS		**3,488,291,821.84**	3,653,573,122.10

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

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

STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

31 December 2025

(presented in RMB unless otherwise stated)

Liabilities and owners' equity	Note XVII	Balance as at end of the period	Closing balance of previous year
CURRENT LIABILITIES:			
Short-term borrowings		**155,692,589.71**	616,185,080.42
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bills payable			88,600,000.00
Trade payables		**270,990,529.31**	229,233,094.59
Advances			
Contract liabilities		**1,041,422,907.28**	1,050,792,888.77
Salaries payable		**20,499,048.11**	18,258,421.72
Tax payable		**575,908.85**	564,755.68
Other payables		**629,865,237.70**	596,444,268.35
Liabilities held for sale			
Non-current liabilities due within one year		**15,020,570.08**	2,983,990.46
Other current liabilities			
TOTAL CURRENT LIABILITIES		**2,134,066,791.04**	2,603,062,499.99

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

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

STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

31 December 2025

(presented in RMB unless otherwise stated)

Liabilities and owners' equity	Note XVII	Balance as at end of the period	Closing balance of previous year
NON-CURRENT LIABILITIES:			
Long-term borrowings		**290,729,625.00**	
Bonds payable			
Of which: Preference shares			
Perpetual bonds			
Lease liabilities		**2,755,871.41**	4,367,924.79
Long-term payables			
Long-term salaries payable		**19,388,188.24**	19,548,188.24
Estimated liabilities			
Deferred income		**41,110,922.28**	42,331,014.40
Deferred income tax liabilities			
Other non-current liabilities			
TOTAL NON-CURRENT LIABILITIES		**353,984,606.93**	66,247,127.43
TOTAL LIABILITIES		**2,488,051,397.97**	2,669,309,627.42

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

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

STATEMENT OF FINANCIAL POSITION OF PARENT COMPANY

31 December 2025

(presented in RMB unless otherwise stated)

Liabilities and owners' equity	Note XVII	Balance as at end of the period	Closing balance of previous year
OWNERS' EQUITY:			
Share capital		**466,700,000.00**	466,700,000.00
Other equity instruments			
Of which: Preference shares			
Perpetual bonds			
Capital reserve		**101,550,824.06**	100,742,767.45
Less: Treasury stock			
Other comprehensive income		**–4,346,642.82**	–5,116,642.82
Special reserves			
Surplus reserve		**73,498,939.98**	69,025,502.72
Undistributed profits		**362,837,302.65**	352,911,867.33
TOTAL OWNERS' EQUITY		**1,000,240,423.87**	984,263,494.68
TOTAL LIABILITIES AND OWNERS' EQUITY		**3,488,291,821.84**	3,653,573,122.10

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

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

INCOME STATEMENT OF PARENT COMPANY

Year 2025

(presented in RMB unless otherwise stated)

Item	Note XVII	Current period	Previous period
I. OPERATING INCOME	(IV)	**1,097,098,468.65**	1,058,508,357.48
Less: Operating costs	(IV)	**967,416,114.49**	897,027,224.49
Taxes and surcharges		**1,344,173.95**	1,622,166.23
Selling expenses			
Administrative expenses		**65,310,840.52**	73,658,394.24
Research and development expenses			
Financial costs		**11,424,848.49**	–4,351,531.58
Of which: Interest expenses		**17,547,022.34**	8,649,712.59
Interest income		**6,111,367.10**	–13,534,503.30
Add: Other income		**5,443,405.67**	3,747,391.95
Investment income (“–” denotes loss)	(V)	**16,287,631.26**	
Of which: Investment income from associates and joint ventures			
Gain on derecognition of financial assets measured at amortized cost			
Net gain from hedging exposure (“–” denotes loss)			
Gain on changes in fair value (“–” denotes loss)			
Credit impairment loss (“–” denotes loss)		**–5,686,288.61**	–10,867,583.39
Impairment loss on assets (“–” denotes loss)		**–4,003,253.02**	–503,895.25
Gain on disposal of assets (“–” denotes loss)			
II. OPERATING PROFIT (“–” denotes loss)		**63,643,986.50**	82,928,017.41
Add: Non-operating income		**1,280,877.59**	1,375,927.19
Less: Non-operating expenses		**278,189.46**	1,465,855.52
III. TOTAL PROFIT (“–” denotes total loss)		**64,646,674.63**	82,838,089.08
Less: Income tax expenses		**19,912,302.05**	17,176,743.51
IV. NET PROFIT (“–” denotes net loss)		**44,734,372.58**	65,661,345.57
(I) Net profit from continuing operation (“–” denotes net loss)		**44,734,372.58**	65,661,345.57
(II) Net profit from discontinued operation (“–” denotes net loss)			

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

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

INCOME STATEMENT OF PARENT COMPANY

Year 2025

(presented in RMB unless otherwise stated)

Item	Note XVII	Current period	Previous period
V. OTHER COMPREHENSIVE INCOME, NET OF TAX		**770,000.00**	–3,032,500.00
(I) Other comprehensive income that may not be reclassified to profit or loss		**770,000.00**	–3,032,500.00
1. Changes from re-measurement of defined benefit plans		**770,000.00**	–3,032,500.00
2. Other comprehensive income that may not be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of the company's own credit risk			
(II) Other comprehensive income that may be reclassified to profit or loss			
1. Other comprehensive income that may be transferred to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amounts of financial assets reclassified to other comprehensive income			
4. Credit impairment provision for other debt investments			
5. Reserves for cash flows hedges			
6. Differences on foreign currency translation			
7. Other			
VI. TOTAL COMPREHENSIVE INCOME		**45,504,372.58**	62,628,845.57
VII. EARNINGS PER SHARE:			
(I) Basic earnings per share (RMB per share)			
(II) Diluted earnings per share (RMB per share)			

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

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

STATEMENT OF CASH FLOWS OF PARENT COMPANY

Year 2025

(presented in RMB unless otherwise stated)

Item	Note XVII	Current period	Previous period
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		**1,225,174,532.27**	1,174,069,479.52
Refund of taxes and surcharges			
Cash received relating to other operating activities		**565,854,896.52**	632,839,541.80
Sub-total of cash inflows from operating activities		**1,791,029,428.79**	1,806,909,021.32
Cash paid for purchase of goods and receipt of services		**984,203,829.35**	887,600,067.42
Cash paid to and on behalf of employees		**134,681,261.37**	127,434,226.38
Payments of tax charges		**18,190,497.84**	32,036,247.00
Cash paid relating to other operating activities		**360,589,016.63**	810,985,590.18
Sub-total of cash outflows from operating activities		**1,497,664,605.19**	1,858,056,130.98
Net cash flows from operating activities		**293,364,823.60**	–51,147,109.66
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from recovery of investments			
Cash received from returns on investments		**5,054,250.00**	
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets			40,680.50
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities		**5,054,250.00**	40,680.50
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**213,326,162.81**	72,909,675.03
Cash paid to acquire investments		**300,000,000.00**	138,000,000.00
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		**513,326,162.81**	210,909,675.03
Net cash flows from investing activities		**–508,271,912.81**	–210,868,994.53

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

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

STATEMENT OF CASH FLOWS OF PARENT COMPANY

Year 2025

(presented in RMB unless otherwise stated)

Item	Note XVII	Current period	Previous period
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from capital contributions			
Cash received from borrowings		**456,088,000.00**	615,550,000.00
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		**456,088,000.00**	615,550,000.00
Cash paid for repayment of borrowings		**615,550,000.00**	
Cash paid for distribution of dividends, profits or interest payment		**47,489,554.10**	49,230,314.48
Cash paid relating to other financing activities		**864,540.00**	1,444,545.37
Sub-total of cash outflows from financing activities		**663,904,094.10**	50,674,859.85
Net cash flows from financing activities		**–207,816,094.10**	564,875,140.15
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**–16,304.56**	23,263.98
V. NET INCREASE IN CASH AND CASH EQUIVALENTS		**–422,739,487.87**	302,882,299.94
Add: Cash and cash equivalent balance at beginning of the period		**1,383,494,276.12**	1,080,611,976.18
VI. CASH AND CASH EQUIVALENT BALANCE AT END OF THE PERIOD		**960,754,788.25**	1,383,494,276.12

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

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

STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY

Year 2025

(presented in RMB unless otherwise stated)

	Current period										
		Other equity instruments									
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
I. Closing balance of previous year	466,700,000.00				100,742,767.45		-5,116,642.82		69,025,502.72	352,911,867.33	984,263,494.68
Add: Change in accounting policy											
Correction of accounting errors for prior period											
Others											
II. Opening balance of current year	466,700,000.00				100,742,767.45		-5,116,642.82		69,025,502.72	352,911,867.33	984,263,494.68
III. Changes during the current period (presented by a "-" sign for decrease)					808,056.61		770,000.00		4,473,437.26	9,925,435.32	15,976,929.19
(I) Total comprehensive income							770,000.00			44,734,372.58	45,504,372.58
(II) Owners' contribution and capital reduction					808,056.61						808,056.61
1. Ordinary shares contribution by owners											
2. Capital invested by other equity instrument holders											
3. Share payment included in the owner's equity											
4. Others					808,056.61						808,056.61
(III) Profit appropriation									4,473,437.26	-34,808,937.26	-30,335,500.00
1. Appropriation to surplus reserve									4,473,437.26	-4,473,437.26	
2. Distribution to owners (or shareholders)										-30,335,500.00	-30,335,500.00
3. Others											
(IV) Internal transfer of owners' equity											
1. Capital reserve transferred to capital (or share capital)											
2. Surplus reserve transferred to capital (or share capital)											
3. Surplus reserve make up for losses											
4. Changes of defined benefits plan transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation in the current period											
2. Utilized in the current period											
(VI) Others											
IV. Closing balance of current period	466,700,000.00				101,550,824.06		-4,346,642.82		73,498,939.98	362,837,302.65	1,000,240,423.87

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

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

STATEMENT OF CHANGES IN EQUITY OF PARENT COMPANY

Year 2025

(presented in RMB unless otherwise stated)

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

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

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

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 350,000,000.00 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 2025, 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 Changehun Municipal Government.

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

These financial statements have been approved for issue by the Board of Directors of the Company on 27 March 2026.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of Preparation

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

(II) Going Concern

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Disclaimer of Compliance with the ASBEs

These financial statements are in compliance with the ASBEs published by the Ministry of Finance and give a true and complete view of the combined financial position of the parent company as at 31 December 2025 and of its combined operating results and cash flows of the parent company for the year of 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.

(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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. Determination criteria of control

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

2. Procedures of Combination

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

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

(1) Addition of subsidiary or business

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Procedures of Combination (Continued)

(1) Addition of subsidiary or business (Continued)

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

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

(2) Disposal of subsidiaries

① General treatment

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

② Step disposal of subsidiary

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

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

ii. A complete set of commercial results can be achieved with reference to the series of transactions as a whole;

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)

iii. The occurrence of one transaction depends on the occurrence of at least one of other transactions;

iv. One transaction recognized separately is not economical, but it is economical when considered together with other transactions.

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

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

(3) Acquisition of minority interest of subsidiary

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

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

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

(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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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. (XIII) 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

1. Classification of financial instruments (Continued)

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.

(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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

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

(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.

On derecognition, 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.

(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.

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

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.

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).

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)

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(X) Financial Instruments (Continued)

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

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.

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 of 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.

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 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 other 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 2	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.

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 "III. (X) Financial instruments — 6. Test method and accounting treatment of impairment of financial instruments".

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Long-term Equity Investments (Continued)

3. Subsequent measurement and profit or loss recognition

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

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

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

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

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

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIII) Long-term Equity Investments (Continued)

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

(3) Disposal of long-term equity investments

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

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

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

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

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 deals, 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIV) 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.

(XV) Fixed Assets

1. **Recognition and initial measurement of fixed assets**

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

   (1) economic benefits related to such fixed assets are likely to flow into the enterprise;

   (2) costs of such fixed assets can be reliably measured.

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

   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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XV) Fixed Assets (Continued)

2. Method of depreciation (Continued)

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

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

3. Disposal of fixed assets

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

(XVI) Construction in progress

Construction in progress is measured at actual cost incurred. Actual cost includes construction costs, installation costs, borrowing expenses eligible for capitalization, and other necessary expenses required for bringing such constructions to the expected useable conditions. When the construction in progress reaches working conditions for its intended use, it is transferred to property, plant and equipment and depreciation begins to be provided for from the following month. Criteria and timing for conversion of the Company's construction in progress into fixed assets are as follows:

Category	Criteria and timing for conversion into fixed assets
Property and buildings	The main construction project and ancillary works have been substantially completed; the acceptance inspection has been completed by the survey, design, construction, and supervision units; and the acceptance inspections by external authorities such as fire services, land and resources, and planning have been passed.
Machinery and equipment requiring installation and commissioning	The relevant equipment and other ancillary facilities have been installed completely; the equipment can maintain normal and stable operation for a period of time after commissioning; the production equipment can stably produce qualified products; the acceptance inspection by asset management personnel and users has been completed.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVII) Borrowing Expenses (Continued)

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.

(XVIII) Intangible Assets

1. Valuation of intangible assets

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

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

(2) *Subsequent measurement*

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XVIII) Intangible Assets (Continued)

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XIX) 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.

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.

(XX) 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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXI) 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.

(XXII) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXII) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) Income (Continued)

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

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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIII) Income (Continued)

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.

(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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIV) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) 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 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.

For government grants where the government documents do not clearly specify the subsidized object, the Company's basis for classifying such government grants as either asset-related or income-related is as follows: (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.

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);

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXV) Government Grants (Continued)

3. Accounting treatment (Continued)

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.

(XXVI) 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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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 asset and settle the liability simultaneously, current income tax assets and current income tax liabilities shall be presented as the net amount after offsetting.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) 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 Company shall separate the contract 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.

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 leased asset. Otherwise, the leased asset is depreciated from the commencement date to the earlier of the lease term and the remaining useful life of the leased asset.

Impairment losses of right-of-use assets are determined and accounted for in accordance with the principles described in Note "III. (19) 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 any;
- Variable rental payments depending on index or ratio;

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Leases (Continued)

1. The Company as lessee (Continued)

(2) Lease liabilities (Continued)

- 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.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Leases (Continued)

1. The Company as lessee (Continued)

(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.

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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Leases (Continued)

2. The Company as lessor

At the beginning of the lease term, the Company divides leases into the finance lease and operating lease. Lease under which almost all the risks and rewards relevant to the ownership of leased assets are materially transferred is recognised as finance lease, regardless of whether the ownership is ultimately transferred. The operating lease refers to other leases than the finance lease. When the Company is a sub-lessor, it classifies the sub-leases based on the right-of-use assets generated by the original lease.

(1) Accounting treatment of operating lease

The lease receipt from operating lease is recognised as the rent income using the straight-line method during each period within the lease term. The Company capitalises the incurred initial direct expense relevant to the operating lease, and amortises the same on the same basis for rent income recognition during the lease term to include the same in the current profit or loss. Variable lease payments not included in the lease receipt are recognised in the current profit or loss when they are actually incurred. If an operating lease is changed, the Company accounts for it as a new lease from the effective date of the change, and the amount of lease payments received in advance or receivable in connection with the lease before the change is considered to be the amount of payments for the new lease.

(2) Accounting treatment of finance leases

On the commencement date of the lease, the Company recognizes the finance lease receivable and derecognizes the asset held under finance lease. When initially measuring the finance lease receivable, the Company records it at the net investment in the lease. The net investment in the lease is the sum of the unguaranteed residual value and the present value of the lease payments not yet received at the commencement date, discounted using the interest rate implicit in the lease.

The Company calculates and recognises interest income for each period during the lease term using a constant periodic rate of return. The derecognition and impairment of finance lease receivables are accounted for in accordance with Note "III. (X) Financial Instruments".

Variable lease payments not included in the measurement of the net investment in the lease are recognised in profit or loss in the period in which they are incurred.

When a modification to a finance lease occurs and concurrently meets the following conditions, the Company accounts for the modification as a separate lease:

- The modification expands the scope of the lease by adding the right to use one or more underlying assets;
- The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXVII) Leases (Continued)

2. The Company as lessor (Continued)

(2) Accounting treatment of finance leases (Continued)

If a modification to a finance lease is not accounted for as a separate lease, the Company accounts for the modified lease as follows:

- If the lease would have been classified as an operating lease had the modification been in effect at the commencement date, the Company accounts for the lease as a new lease from the effective date of the modification, and uses the net investment in the lease immediately before the effective date of the modification as the carrying amount of the lease asset;

- If the lease would have been classified as a finance lease had the modification been in effect at the commencement date, the Company accounts for the modified lease in accordance with the policy for the modification or renegotiation of a contract under "Note III. (X) Financial Instruments".

(XXVIII) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXIX) 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 ≥ RMB10 million
Significant recovery or reversal of bad debt provision for trade receivables	The amount of single recovery or reversal ≥ RMB10 million out of the total amount of various receivables
Significant receivables written-off in the current period	The amount of single written-off ≥ 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 ≥RMB5 million

(XXX) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXX) 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.

The Company assesses goodwill for impairment at least annually, which requires estimating the value in use of the asset groups to which goodwill has been allocated. In estimating the value in use, the Company must estimate the future cash flows from the asset groups and select an appropriate discount rate to calculate the present value of those 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(XXXI) Changes in Significant Accounting Policies and Accounting Estimates

1. Changes in Significant Accounting Policies

(1) *Implementation of Q&A on the Implementation of Financial Instruments Standards" regarding the accounting treatment for standard warrant transactions*

On 8 July 2025, the Ministry of Finance issued the Q&A on the Implementation of Accounting Treatment Related to Standard Warrant Transactions, which clearly stipulates that, in accordance with the Accounting Standard for Financial Instruments — Recognition and Measurement, if an enterprise, through frequently entering into contracts for buying and selling standard warrants on a futures exchange to earn the difference and does not take delivery of the physical commodity underlying the standard warrants, this typically indicates that the enterprise has a practice of selling the underlying subject matter of the contract shortly after acquisition to generate profit from short-term fluctuations. The enterprise shall treat the contracts entered into for buying and selling standard warrants as financial instruments and account for them in accordance with the provisions of the Accounting Standard for Financial Instruments — Recognition and Measurement. Where an enterprise, after acquiring standard warrants in accordance with the aforementioned contracts, sells them within a short period thereafter, it shall not recognise sales revenue; instead, the difference between the consideration received and the carrying amount of the standard warrants sold shall be recognised in investment income. For standard warrants held unsold at the end of the period, the enterprise shall present them as other current assets. For standard warrants acquired in accordance with the aforementioned contracts, if this can eliminate or significantly reduce an accounting mismatch, the enterprise may elect to measure them at fair value through profit or loss upon initial recognition, and this election shall be applied consistently to all standard warrants that meet the conditions for such election. For standard warrants for which the fair value through profit or loss election was made upon initial recognition, the enterprise shall not revoke this election in subsequent periods.

In accordance with the requirements of the Notice on Implementing the Accounting Standards for Business Enterprises and Effectively Completing the 2025 Annual Report (Cai Kuai [2025] No. 33), an enterprise that adjusts its accounting treatment method due to the implementation of the aforementioned provisions related to standard warrants shall adjust the information for comparable periods in the financial statements. The implementation of these provisions has not had a material impact on the Company's financial position and operating results.

2. Changes in key accounting estimates

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

IV. TAXATION

(I) Main Types of Taxes and Corresponding Rates

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

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 Chuncheng Heating Pipeline Network Operation and Maintenance 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.*	25%
Jilin Chuncheng Clean Energy Company Limited*	25%

(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.

IV. TAXATION (Continued)

(II) 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 28 October 2025, 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.

IV. TAXATION (Continued)

(II) 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.

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.

V. NOTES TO ITEMS IN THE COMBINED FINANCIAL STATEMENTS

(I) Monetary Fund

Item	Closing balance	Balance at the end of last year
Bank deposits	**1,037,030,142.74**	1,449,174,167.52
Other monetary fund	**6,600,000.00**	6,600,000.00
Total	**1,043,630,142.74**	1,455,774,167.52
Of which: Total amount of overseas funds	**642,167.72**	659,651.58

The breakdown of the restricted monetary funds is as follows:

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

(II) Trade receivables

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

Ageing	Closing balance	Balance at the end of last year
Within 1 year (including 1 year)	**92,870,385.71**	240,784,530.94
1 to 2 years	**105,227,246.57**	50,660,189.88
2 to 3 years	**29,120,695.51**	16,463,637.23
3 to 4 years	**14,746,541.62**	18,091,660.10
4 to 5 years	**16,251,286.93**	8,163,363.23
Over 5 years	**45,388,048.68**	17,834,792.54
Sub-total	**303,604,205.02**	351,998,173.92
Less: Provision for bad debts	**94,674,737.83**	59,544,145.46
Total	**208,929,467.19**	292,454,028.46

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

(II) Trade receivables (Continued)

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

Category	Closing balance					Balance at the end of last year				
	Carrying balance		Provision for bad debts			Carrying balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	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	**303,604,205.02**	**100.00**	**94,674,737.83**	**31.18**	**208,929,467.19**	351,998,173.92	100.00	59,544,145.46	16.92	292,454,028.46
Of which:										
Portfolio of ageing — Heat supply business	**97,983,657.37**	**32.27**	**19,298,016.59**	**19.70**	**78,685,640.78**	142,618,498.78	40.52	12,424,919.86	8.71	130,193,578.92
Portfolio of ageing — Basic heating fee	**32,902,506.51**	**10.84**	**9,802,816.11**	**29.79**	**23,099,690.40**	34,555,515.43	9.82	6,632,629.08	19.19	27,922,886.35
Portfolio of ageing — Engineering business	**92,156,573.62**	**30.35**	**54,531,875.37**	**59.17**	**37,624,698.25**	74,762,607.84	21.24	30,490,120.33	40.78	44,272,487.51
Related party portfolio	**80,561,467.52**	**26.54**	**11,042,029.76**	**13.71**	**69,519,437.76**	100,061,551.87	28.42	9,996,476.19	9.99	90,065,075.68
Total	**303,604,205.02**	**100.00**	**94,674,737.83**	**31.18**	**208,929,467.19**	351,998,173.92	100.00	59,544,145.46	16.92	292,454,028.46

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

(II) Trade receivables (Continued)

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

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

(1) Portfolio of ageing — Heat supply business:

	Closing balance		
Name	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	**35,501,919.99**	**1,775,096.03**	**5.00**
1–2 years	**48,348,440.94**	**9,669,688.20**	**20.00**
2–3 years	**6,031,763.56**	**1,809,529.07**	**30.00**
3–4 years	**1,946,446.10**	**778,578.45**	**40.00**
4–5 years	**1,779,923.90**	**889,961.96**	**50.00**
Over 5 years	**4,375,162.88**	**4,375,162.88**	**100.00**
Total	**97,983,657.37**	**19,298,016.59**	**19.70**

(2) Portfolio of ageing — Basic heating fee:

	Closing balance		
Name	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	**5,291,732.62**	**264,586.63**	**5.00**
1–2 years	**7,640,619.58**	**764,061.96**	**10.00**
2–3 years	**6,742,243.60**	**1,348,448.72**	**20.00**
3–4 years	**5,264,028.37**	**1,579,208.51**	**30.00**
4–5 years	**4,234,744.10**	**2,117,372.05**	**50.00**
Over 5 years	**3,729,138.24**	**3,729,138.24**	**100.00**
Total	**32,902,506.51**	**9,802,816.11**	**29.79**

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

(II) Trade receivables (Continued)

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

(3) Portfolio of ageing — Engineering business:

	Closing balance		
Name	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	**15,588,906.90**	**779,445.33**	**5.00**
1–2 years	**8,055,457.81**	**1,611,091.56**	**20.00**
2–3 years	**14,024,869.68**	**4,207,460.91**	**30.00**
3–4 years	**6,961,920.88**	**3,480,960.46**	**50.00**
4–5 years	**10,241,670.79**	**7,169,169.55**	**70.00**
Over 5 years	**37,283,747.56**	**37,283,747.56**	**100.00**
Total	**92,156,573.62**	**54,531,875.37**	**59.17**

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

		Movement during the current period				
Category	Closing balance of previous year	Provision	Recovered or reversed	Charge-off or write-off	Other changes	Closing balance
Aging portfolio — Heat supply business	12,424,919.86	12,429,079.39	5,555,982.66			**19,298,016.59**
Aging portfolio — Basic heating fee	6,632,629.08	3,804,572.80	634,385.77			**9,802,816.11**
Aging portfolio — Engineering	30,490,120.33	26,779,472.12	2,737,717.08			**54,531,875.37**
Related party portfolio	9,996,476.19	5,922,161.20	4,876,607.63			**11,042,029.76**
Total	59,544,145.46	48,935,285.51	13,804,693.14			**94,674,737.83**

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

(III) Prepayment

1. Prepayments by ageing

Ageing	Closing balance Amount	Closing balance Percentage (%)	Closing balance of previous year Amount	Closing balance of previous year Percentage (%)
Within 1 year	**524,336,664.44**	**98.42**	691,200,774.37	99.30
1 to 2 years	**8,436,975.25**	**1.58**	4,825,644.63	0.69
2 to 3 years			26,444.29	0.01
Over 3 years				
Total	**532,773,639.69**	**100.00**	696,052,863.29	100.00

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

(IV) Other Receivables

Item	Closing balance	Closing balance of previous year
Interest receivables	**6,290,161.69**	
Other receivables	**142,396,204.27**	143,150,344.45
Total	**148,686,365.96**	143,150,344.45

1. Other Receivables

(1) Disclosure based on ageing

Ageing	Closing balance	Closing balance of previous year
Within 1 year (inclusive)	**8,807,887.97**	150,330,525.35
1 to 2 years	**142,028,229.20**	10,723,352.46
2 to 3 years	**10,723,352.46**	7,945,152.84
3 to 4 years	**7,945,152.84**	152,000.00
4 to 5 years	**152,000.00**	50,000.00
Over 5 years	**1,321,769.66**	1,471,769.66
Sub-total	**170,978,392.13**	170,672,800.31
Less: Provision for bad debts	**28,582,187.86**	27,522,455.86
Total	**142,396,204.27**	143,150,344.45

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

(IV) Other Receivables (Continued)

1. Other Receivables (Continued)

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

	Closing balance					Balance at the end of last year				
	Carrying balance		Provision for bad debts			Carrying balance		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying balance	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount
Provision for bad debts on individual basis	**148,737,016.04**	**86.99**	**23,108,716.04**	**15.54**	**125,628,300.00**	9,150,016.04	5.36	9,150,016.04	100.00	
Provision for bad debts by portfolio of credit risk characteristics	**22,241,376.09**	**13.01**	**5,473,471.82**	**24.61**	**16,767,904.27**	161,522,784.27	94.64	18,372,439.82	11.37	143,150,344.45
Of which:										
Ageing portfolio	**22,241,376.09**	**13.01**	**5,473,471.82**	**24.61**	**16,767,904.27**	161,522,784.27	94.64	18,372,439.82	11.37	143,150,344.45
Total	**170,978,392.13**	**100.00**	**28,582,187.86**	**16.72**	**142,396,204.27**	170,672,800.31	100.00	27,522,455.86	16.13	143,150,344.45

Other receivables that are material and based on individual provision for bad debts:

	Closing balance			
Name	Carrying balance	Provision for bad debts	Proportion of provision (%)	Basis of provision
Jilin Sanyi Environmental Boiler Co., Ltd.* (吉林省三意環保鍋爐有限公司)	1,204,863.20	1,204,863.20	100.00	Expected to be difficult to recover
Jilin Yatai (Group) Co., Ltd.	7,945,152.84	7,945,152.84	100.00	Expected to be difficult to recover
Changchun Urban Pipeline Construction Investment (Group) Co., Ltd* (長春城市管線建設投資(集團)有限公司	139,587,000.00	13,958,700.00	10.00	Loans to enterprises under Changchun SASAC carrying an extremely low expected credit risk
Total	455,027,177.73	23,108,716.04	15.54	

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

(IV) Other Receivables (Continued)

1. Other Receivables (Continued)

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

Provision for bad debts on a portfolio basis for credit risk characteristics:

Provision by portfolio: ageing portfolio

	Closing balance		
Item	Other receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	2,166,637.97	216,663.80	10.00
1 to 2 years	9,082,479.20	1,816,495.84	20.00
2 to 3 years	10,723,352.46	3,217,005.72	30.00
3 to 4 years			
4 to 5 years	152,000.00	106,400.00	70.00
Over 5 years	116,906.46	116,906.46	100.00
Total	22,241,376.09	5,473,471.82	

(3) Particulars of provision for bad debts

Provision for bad debts	Stage one 12-months ECL	Stage two Lifetime ECL (not credit impaired)	Stage three Lifetime ECL (credit impaired)	Total
Closing balance of previous year	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	1,445,378.35	—	—	1,445,378.35
Reversal in the current period	385,646.35	—	—	385,646.35
Charge-off in the current period				
Written-off in the current period				
Other changes				
Closing balance	19,432,171.82	—	9,150,016.04	28,582,187.86

NOTES TO FINANCIAL STATEMENTS

Year 2025

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

(IV) Other Receivables (Continued)

1. Other Receivables (Continued)

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

Category	Closing balance of previous year	Amount of change during the current period				Closing balance
		Provision	Recovered or reversed	Charge-off or written-off	Other changes	
Provision for bad debts on an individual basis	9,150,016.04				13,958,700.00	**23,108,716.04**
Ageing portfolio	18,372,439.82	1,445,378.35	385,646.35		−13,958,700.00	**5,473,471.82**
Total	27,522,455.86	1,445,378.35	385,646.35			**28,582,187.86**

(5) Classification by nature of the amount

Nature of the amount	Carrying balance at the end of the period	Carrying balance at the end of previous year
Guarantee	**192,000.00**	1,292,000.00
Petty money	**192,512.74**	539,192.70
Current account payment	**157,905,381.21**	157,929,525.05
Others	**12,688,498.18**	10,912,082.56
Total	**170,978,392.13**	170,672,800.31

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

(V) Inventories

1. Classification of inventories

Category	Closing balance			Closing balance of previous year		
	Carrying balance	Provision for decline in value of inventories	Carrying amount	Carrying balance	Provision for decline in value of inventories	Carrying amount
Raw materials	**13,316,387.83**	**8,106,209.50**	**5,210,178.33**	15,369,317.92	7,909,921.42	7,459,396.50
Inventories	**1,707,102.93**	**259,049.15**	**1,448,053.78**	1,517,210.36	212,131.43	1,305,078.93
Revolving materials	**21,261.38**		**21,261.38**	24,071.39		24,071.39
Total	**15,044,752.14**	**8,365,258.65**	**6,679,493.49**	16,910,599.67	8,122,052.85	8,788,546.82

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

Category	Closing balance of previous year	Increase during the current period		Decrease during the current period		Closing balance
		Provision	Others	Reversal or charge-off	Others	
Raw materials	7,909,921.42	196,903.40		615.32		**8,106,209.50**
Inventories	212,131.43	46,917.72				**259,049.15**
Total	8,122,052.85	243,821.12		615.32		**8,365,258.65**

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

(VI) Contract Assets

1. Particulars of contract assets

Item	Closing balance			Closing balance of previous year		
	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount
Amounts completed but unsettled	**34,265,059.42**	**9,492,277.18**	**24,772,782.24**	72,582,153.28	34,642,465.38	37,939,687.90
Quality guarantee deposit	**3,070,303.06**	**555,397.84**	**2,514,905.22**	12,203,778.86	3,179,451.57	9,024,327.29
Total	**37,335,362.48**	**10,047,675.02**	**27,287,687.46**	84,785,932.14	37,821,916.95	46,964,015.19

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

Item	Amount of change	Reason for change
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	**–14,397,929.75**	Contract assets at the beginning of the year transferred to receivables during the current period
China State Construction Railway Investment & Engineering Group Co., Ltd.* (中建鐵路投資建設集團有限公司)	**–32,343,162.22**	Contract assets at the beginning of the year transferred to receivables during the current period
Total	**-46,741,091.97**	

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

(VI) Contract Assets (Continued)

3. Contract assets classified and disclosed by provision of impairment

	Closing balance					Closing balance of previous year				
	Carrying balance		Impairment provision			Carrying balance		Impairment provision		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount
Impairment provision on individual basis										
Impairment provision by portfolio of credit risk characteristics	**37,335,362.48**	**100.00**	**10,047,675.02**	**26.91**	**27,287,687.46**	84,785,932.14	100.00	37,821,916.95	44.61	46,964,015.19
Of which:										
Amounts completed but unsettled	**34,265,059.42**	**91.78**	**9,492,277.18**	**27.70**	**24,772,782.24**	72,582,153.28	85.61	34,642,465.38	47.73	37,939,687.90
Quality guarantee deposit	**3,070,303.06**	**8.22**	**555,397.84**	**18.09**	**2,514,905.22**	12,203,778.86	14.39	3,179,451.57	26.05	9,024,327.29
Total	**37,335,362.48**	**100.00**	**10,047,675.02**	**26.91**	**27,287,687.46**	84,785,932.14	100.00	37,821,916.95	44.61	46,964,015.19

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

(VI) Contract Assets (Continued)

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

Impairment provision by portfolio of credit risk characteristics:

	Closing balance		
Name	Contract assets	Impairment provision	Proportion of provision (%)
Amounts completed but unsettled	34,265,059.42	9,492,277.18	27.70
Quality guarantee deposit	3,070,303.06	555,397.84	18.09
Total	37,335,362.48	10,047,675.02	26.91

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

		Movement during the current period				
Item	Closing balance of previous year	Provision for the current period	Reversal for the current period	Charge-off/ write-off for the current period	Other changes	Closing balance
Amounts completed but unsettled	34,642,465.38	4,123,582.06	29,273,770.26			**9,492,277.18**
Quality guarantee deposit	3,179,451.57	19,554.26	2,643,607.99			**555,397.84**
Total	37,821,916.95	4,143,136.32	31,917,378.25			**10,047,675.02**

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

(VII) Other current assets

Item	Closing balance	Closing balance of previous year
Input tax to be deducted	**40,637,093.14**	13,409,358.49
Prepayment of enterprise income tax	**5,273,325.17**	13,282,514.63
Input tax pending verification	**3,327,586.74**	6,928,930.83
Others	**77,495.15**	
Total	**49,315,500.20**	33,620,803.95

(VIII) Investment Property

1. Investment property measured at cost

Item	Property and buildings	Total
1. Original carrying amount		
(1) Closing balance of previous year		
(2) Increase during the current period	8,416,480.00	8,416,480.00
— Transfer from fixed assets	8,416,480.00	8,416,480.00
(3) Decrease during the current period		
(4) Closing balance	8,416,480.00	8,416,480.00
2. Accumulated depreciation and accumulated amortisation		
(1) Closing balance of previous year		
(2) Increase during the current period	3,317,775.54	3,317,775.54
— Provision	272,693.88	272,693.88
— Transfer from fixed assets	3,045,081.66	3,045,081.66
(3) Decrease during the current period		
(4) Closing balance	3,317,775.54	3,317,775.54
3. Impairment provision		
(1) Closing balance of previous year		
(2) Increase during the current period		
(3) Decrease during the current period		
(4) Closing balance		
4. Carrying amount		
(1) Closing carrying amount	5,098,704.46	5,098,704.46
(2) Closing carrying amount of previous year		

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

(IX) Fixed Assets

1. Fixed assets and liquidation of fixed assets

Item	Closing balance	Closing balance of previous year
Fixed assets	**937,849,726.79**	850,266,318.15
Liquidation of fixed assets		
Total	**937,849,726.79**	850,266,318.15

2. Particulars of fixed assets

Item	Property and buildings	Machinery and equipment	Transportation equipment	Electronic equipment	Pipeline network	Office equipment	Total
1. Original carrying amount							
(1) Closing balance of previous year	103,173,082.76	700,845,814.82	18,604,165.73	76,898,018.24	1,970,338,046.55	1,843,290.00	2,871,702,418.10
(2) Increase during the current period	3,329,383.89	151,178,731.54	129,150.43	10,953,478.86	71,325,835.77	76,920.35	236,993,500.84
– Addition	3,329,383.89	132,247,011.08	129,150.43	4,534,105.37	1,784,513.40	76,920.35	142,101,084.52
– Transfer from construction in progress		18,931,720.46		6,419,373.49	69,541,322.37		94,892,416.32
(3) Decrease during the current period	8,416,480.00		151,913.00	1,630.00			8,570,023.00
– Disposal or retirement			151,913.00	1,630.00			153,543.00
– Transfer to investment property	8,416,480.00						8,416,480.00
(4) Closing balance	98,085,986.65	852,024,546.36	18,581,403.16	87,849,867.10	2,041,663,882.32	1,920,210.35	3,100,125,895.94
2. Accumulated depreciation							
(1) Closing balance of previous year	38,314,126.48	493,650,304.14	13,173,679.42	58,614,226.49	1,404,486,715.20	1,536,802.57	2,009,775,854.30
(2) Increase during the current period	3,469,249.38	60,072,196.41	1,145,219.06	8,321,710.96	71,240,467.37	40,532.66	144,289,375.84
– Provision	3,469,249.38	60,072,196.41	1,145,219.06	8,321,710.96	71,240,467.37	40,532.66	144,289,375.84
(3) Decrease during the current period	3,317,775.54		145,836.48	1,564.80			3,465,176.82
– Disposal or retirement			145,836.48	1,564.80			147,401.28
– Transfer to investment property	3,317,775.54						3,317,775.54
(4) Closing balance	38,465,600.32	553,722,500.55	14,173,062.00	66,934,372.65	1,475,727,182.57	1,577,335.23	2,150,600,053.32
3. Impairment provision							
(1) Closing balance of previous year		11,631,511.02			28,734.63		11,660,245.65
(2) Increase during the current period				15,870.18			15,870.18
– Provision				15,870.18			15,870.18
(3) Decrease during the current period							
(4) Closing balance		11,631,511.02		15,870.18	28,734.63		11,676,115.83
4. Carrying amount							
(1) Closing carrying amount	59,620,386.33	286,670,534.79	4,408,341.16	20,899,624.27	565,907,965.12	342,875.12	937,849,726.79
(2) Closing carrying amount of previous year	64,858,956.28	195,563,999.66	5,430,486.31	18,283,791.75	565,822,596.72	306,487.43	850,266,318.15

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

(IX) Fixed Assets (Continued)

3. Fixed assets which do not have certificates of title

Item	Carrying amount	Reasons for not having certificates of title
Property and buildings	0.00	Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司), a subsidiary of the Company, has boiler plant, substation plant and office building with a carrying value of RMB0.00 as at 31 December 2025 and has no certificates of title in respect thereof; the land on which the building is located has been expropriated by the government and the nature of the land has been changed to state-owned. Accordingly, the land on which the building is located is unable to go through the procedures of application for certificate of title, which made it unable to be processed for certificate of title.
Property and buildings	15,946,966.83	The carrying amount of the plant of Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司), a subsidiary of the Company, was presented at RMB15,946,966.83 as at 31 December 2025, with no certificate of title; The land on which the building is located have not yet be processed for certificate of title.
Property and buildings	11,593,973.41	The carrying amount of boiler plants, pumping stations, chimneys and coal storage yard of Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司), a subsidiary of the Company, was presented at RMB11,593,973.41 as at 31 December 2025, with no certificate of title; The land on which the building is located have not yet be processed for certificate of title.

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

(X) Construction in progress

1. Construction in progress and construction materials

Item	Closing balance			Closing balance of previous year		
	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount
Construction in progress	**63,095,859.73**	**162,606.17**	**62,933,253.56**	44,027,479.06	162,606.17	43,864,872.89
Construction materials	**17,438,828.61**	**10,705,687.46**	**6,733,141.15**	16,653,425.73	6,905,414.36	9,748,011.37
Total	**80,534,688.34**	**10,868,293.63**	**69,666,394.71**	60,680,904.79	7,068,020.53	53,612,884.26

2. Particulars of construction-in-progress

Item	Closing balance			Closing balance of previous year		
	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount
Xixing Ultra-low Emission Transformation Project of Boiler Plant (西興鍋爐房超低排放改造項目)	**30,290,985.84**		**30,290,985.84**	17,444,408.30		17,444,408.30
Fuhao Ultra-low Emission Transformation Project of Boiler Plant (富豪鍋爐房超低排放改造項目)	**29,478,556.96**		**29,478,556.96**	21,103,638.96		21,103,638.96
Others	**3,326,316.93**	**162,606.17**	**3,163,710.76**	5,479,431.80	162,606.17	5,316,825.63
Total	**63,095,859.73**	**162,606.17**	**62,933,253.56**	44,027,479.06	162,606.17	43,864,872.89

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

(X) Construction in progress (Continued)

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

Project name	Budget (RMB10'000)	Closing balance of previous year	Increase during the current period	Transferred to fixed assets during the current period	Other decrease during the current period	Closing balance	Percentage of cumulative inputs over budget (%)	Construction progress	Accumulated amount of interest capitalised	Of which: Interest capitalized during the current period	Interest Capitalisation rate for the current period (%)	Source of fund
Xixing Ultra-low Emission Transformation Project of Boiler Plant (西興鍋爐房超低排放改造項目)	5,894.06	17,444,408.30	12,846,577.54			30,290,985.84	51.39%	95.00%				Self-financing
Partial Pipeline Project of Plant No. 4 (四廠部分管網工程)	5,434.98		35,868,412.49	35,868,412.49			66.00%	100.00%				Self-financing
Fuhao Ultra-low Emission Transformation Project of Boiler Plant (富豪鍋爐房超低排放改造項目)	5,945.73	21,103,638.96	8,374,918.00			29,478,556.96	49.58%	95.00%				Self-financing
Pipeline Connection of Donghui Boiler Plant and Cogeneration Plant No. 2 (東卉鍋爐房與熱電二廠管網並網)	901.88		10,347,127.96	10,347,127.96			114.73%	100.00%				Self-financing
Primary Pipeline Connection of Donghui Boiler Plant (Panshi Line) (東卉鍋爐房一次網並網工程(磐石線))	798.21		7,716,724.75	7,716,724.75			96.68%	100.00%				Self-financing
Total		38,548,047.26	75,153,760.74	53,932,265.20		59,769,542.80						

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

(XI) Right-to-use assets

1. Particulars of right-to-use assets

Item	Property and buildings	Total
1. Original carrying amount		
(1) Closing balance of previous year	15,524,501.85	15,524,501.85
(2) Increase during the current period	1,154,433.23	1,154,433.23
— New lease	1,154,433.23	1,154,433.23
(3) Decrease during the current period	419,041.39	419,041.39
— Expiration of lease	419,041.39	419,041.39
(4) Closing balance	16,259,893.69	16,259,893.69
2. Accumulated depreciation		
(1) Closing balance of previous year	5,464,266.78	5,464,266.78
(2) Increase during the current period	3,714,823.85	3,714,823.85
— Provision	3,714,823.85	3,714,823.85
(3) Decrease during the current period	83,808.28	83,808.28
— Expiration of lease	83,808.28	83,808.28
(4) Closing balance	9,095,282.35	9,095,282.35
3. Impairment provision		
(1) Closing balance of previous year		
(2) Increase during the current period		
(3) Decrease during the current period		
(4) Closing balance		
4. Carrying amount		
(1) Closing carrying amount	7,164,611.34	7,164,611.34
(2) Closing carrying amount of previous year	10,060,235.07	10,060,235.07

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

(XII) Intangible Assets

1. Particulars of intangible assets

Item	Land use right	Patent	Software	Total
1. Original carrying amount				
(1) Closing balance of previous year	10,231,984.54	87,659.53	13,384,957.78	23,704,601.85
(2) Increase during the current period	793.33		370,887.86	371,681.19
— Addition	793.33		370,887.86	371,681.19
(3) Decrease during the current period				
(4) Closing balance	10,232,777.87	87,659.53	13,755,845.64	24,076,283.04
2. Accumulated amortisation				
(1) Closing balance of previous year	589,076.87	43,360.94	5,812,218.24	6,444,656.05
(2) Increase during the current period	238,659.96	8,765.88	1,297,071.23	1,544,497.07
— Provision	238,659.96	8,765.88	1,297,071.23	1,544,497.07
(3) Decrease during the current period				
(4) Closing balance	827,736.83	52,126.82	7,109,289.47	7,989,153.12
3. Impairment provision				
(1) Closing balance of previous year				
(2) Increase during the current period				
(3) Decrease during the current period				
(4) Closing balance				
4. Carrying amount				
(1) Closing carrying amount	9,405,041.04	35,532.71	6,646,556.17	16,087,129.92
(2) Closing carrying amount of previous year	9,642,907.67	44,298.59	7,572,739.54	17,259,945.80

2. Land use rights which have no certificates of title

Item	Carrying amount	Reasons for not having certificates of title
Land use rights	7,016,034.09	The carrying amount of the land use rights of Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司), a subsidiary of the Company, was presented at RMB7,016,034.09 as of 31 December 2025, with land resumption and procedure of land title not yet completed.
Land use rights	2,365,483.19	The carrying amount of the land that the Fuhao boiler plant is located of Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司), a subsidiary of the Company, was presented at RMB2,365,483.19 as at 31 December 2025, with procedure of land title not yet completed due to historical issues.
Total	9,381,517.28	

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

(XIII) Goodwill

1. Movements in of goodwill

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

Note:

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

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

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

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

(XIII) Goodwill (Continued)

2. Information about the composition and the operating segment of the asset group or portfolio of asset groups in which goodwill is located

Item	Composition of the asset group or portfolio of asset groups	Recoverable amount of the asset group in which goodwill is located	Method of determination	Whether the asset group or portfolio of asset groups is consistent with the asset group or portfolio of asset groups recognised at the date of purchase and at goodwill impairment testing in previous year
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)	Fixed assets, intangible assets and goodwill associated with operation	RMB422.67 million	Discounted cash flow method	Yes

3. The impairment testing for goodwill, key parameters and method of recognizing impairment loss of goodwill

The key assumptions in applying the discounted future cash flow method by the Company:

	31 December 2025			31 December 2024		
Name of investee or item which generated goodwill	Growth rate (%)	Gross profit margin (%)	Discount rate (%)	Growth rate (%)	Gross profit margin (%)	Discount rate (%)
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)	**0.08**	**13.03**	**13.54**	1.00	12.51	11.81

The weighted average growth rate used by the management does not exceed the long-term average growth rate of products within the industry in which the Company operates. The management determines the budgeted gross margin based on historical experience and forecasts of market developments and uses a pre-tax rate that reflects the specific risks of the relevant asset group and portfolio of asset groups as the discount rate. The above assumptions are used to analyse the recoverable amount of the portfolio of asset groups.

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

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

1. Deferred income tax assets before offsetting

	Closing balance		Closing balance of previous year	
Item	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Impairment provision for assets	**143,970,985.12**	**34,743,627.00**	139,876,831.49	33,299,910.12
Asset-related government grants	**46,363,075.88**	**11,590,768.98**	48,553,256.12	12,138,314.03
Unrealised profit of internal transactions	**39,103,845.08**	**9,775,961.27**	33,054,903.00	8,263,725.75
Salaries payable	**33,568,188.24**	**8,392,047.06**	34,548,188.24	8,637,047.06
Lease liabilities	**12,785,962.95**	**3,196,490.74**	12,612,981.58	3,086,277.43
Total	**275,792,057.27**	**67,698,895.05**	268,646,160.43	65,425,274.39

2. Deferred income tax liabilities before offsetting

	Closing balance		Closing balance of previous year	
Item	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Increase in valuation arising from the acquisition of Yatai Heating	**43,136,975.64**	**10,784,243.91**	57,467,779.88	14,366,944.97
Increase in valuation arising from the acquisition of Xixing Energy	**42,005,203.68**	**10,501,300.92**	48,475,725.13	12,118,931.27
Right-of-use assets	**7,164,611.34**	**1,791,152.84**	10,060,235.07	2,441,028.12
Total	**92,306,790.66**	**23,076,697.67**	116,003,740.08	28,926,904.36

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

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

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

Item	At the end of the period		At the end of previous year	
	Offset amount of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting	Offset amount of deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after offsetting
Deferred income tax assets	**1,791,152.84**	**65,907,742.21**	2,441,028.12	62,984,246.27
Deferred income tax liabilities	**1,791,152.84**	**21,285,544.83**	2,441,028.12	26,485,876.24

4. Breakdown of unrecognised deferred income tax assets

Item	Closing balance	Closing balance of previous year
Deductible temporary difference	**20,243,283.70**	8,979,749.97
Deductible loss	**63,989,288.47**	66,495,002.97
Total	**84,232,572.17**	75,474,752.94

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

Year	Closing balance	Closing balance of previous year	Remark
2026			
2027	**29,722,107.58**	35,225,669.81	
2028	**20,772,928.89**	20,772,928.89	
2029	**8,936,788.61**	8,936,788.61	
2030	**4,557,463.39**		
Total	**63,989,288.47**	64,935,387.31	

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

(XV) Other Non-current Assets

Item	Closing balance			Closing balance of previous year		
	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount
External borrowings	**300,000,000.00**		**300,000,000.00**			
Total	**300,000,000.00**		**300,000,000.00**			

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

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

(XVII) Short-term Borrowings

1. Category of short-term borrowings

Item	Closing balance	Closing balance of previous year
Credit borrowings	**155,588,000.00**	615,550,000.00
Provision of interest payable on borrowings	**104,589.71**	635,080.42
Total	**155,692,589.71**	616,185,080.42

(XVIII) Bills Payable

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

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

(XIX) Trade Payables

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

Items	Closing balance	Closing balance of previous year
Within 1 year	**191,862,218.38**	228,146,149.72
1 to 2 years	**17,098,862.92**	14,745,559.16
2 to 3 years	**1,455,939.74**	39,714,923.61
Over 3 years	**38,205,196.63**	5,726,739.83
Total	**248,622,217.67**	288,333,372.32

2. Material trade payables aged over one year or overdue

Item	Closing balance	Reasons for outstanding or not carried forward
Jilin Province Jinlong Pipe Company Limited* (吉林省金龍管業有限公司)	**4,900,000.00**	No settlement was made yet
Changchun City Lihuawei Economic and Trade Company Limited* (長春市利華維經貿有限公司)	**4,257,876.37**	No settlement was made yet
Jilin Province Mingyang Commerce Company Limited* (吉林省明楊商貿有限公司)	**3,633,493.19**	No settlement was made yet
Hebei Gongda Koya Energy Technology Company Limited* (河北工大科雅能源科技股份有限公司)	**2,023,601.80**	No settlement was made yet
Jilin Province Zhiyan Construction Materials Company Limited* (吉林志彥建築材料有限公司)	**1,300,000.00**	No settlement was made yet
Changchun City Hongcheng Commodity and Concrete Company Limited* (長春市宏誠商品混凝土有限公司)	**882,280.50**	No settlement was made yet
Shandong Pusai Communication Technology Company Limited* (山東普賽通信科技股份有限公司)	**846,554.63**	No settlement was made yet
Changchun City Jiaye Insulation Material Company Limited* (長春市加燁保溫材料有限公司)	**841,424.36**	No settlement was made yet
Changchun Yude Pipe Company Limited* (長春禹德管業有限責任公司)	**585,243.80**	No settlement was made yet
Changchun City Xin Yao Sen Engineering Mechanical Equipment Rental Company Limited* (長春市鑫垚森工程機械設備租賃有限公司)	**522,000.00**	No settlement was made yet
Total	**19,792,474.65**	

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

(XX) Contract Liabilities

1. Particulars of contract liabilities

Item	Closing balance	Closing balance of previous year
Heat supply	**1,418,815,702.99**	1,434,222,091.45
Construction, maintenance and design services and other	**1,736,815.21**	2,248,030.91
Total	**1,420,552,518.20**	1,436,470,122.36

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

Item	Amount of change	Reason for changes
Heat supply business	**891,845,105.44**	Amount increased due to cash received during the current period
Heat supply business	**-861,826,275.53**	Amount of contract liabilities transferred to operating revenue during the current period
Total	**30,018,829.91**	

(XXI) Salaries Payable

1. Particulars of salaries payable

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance
Short-term salaries	107,132,207.59	264,841,203.58	264,407,752.08	**107,565,659.09**
Post-employment benefits — defined contribution plan		26,175,060.66	26,175,060.66	
Total	107,132,207.59	291,016,264.24	290,582,812.74	**107,565,659.09**

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

(XXI) Salaries Payable (Continued)

2. Particulars of short-term salaries

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance
(1) Wages, bonuses, allowances and subsidies	106,354,255.46	219,610,896.07	219,264,064.81	**106,701,086.72**
(2) Employee welfare	5,295.00	8,554,326.50	8,559,621.50	
(3) Social insurance		13,381,208.46	13,381,208.46	
Of which: Medical insurance and maternity insurance		12,248,404.78	12,248,404.78	
Work injury insurance		1,132,803.68	1,132,803.68	
(4) Housing provident fund	2,307.00	18,960,599.26	18,960,599.26	**2,307.00**
(5) Union fund and staff education fund	770,350.13	3,997,985.29	3,906,070.05	**862,265.37**
(6) Other short-term salaries		336,188.00	336,188.00	
Total	107,132,207.59	264,841,203.58	264,407,752.08	**107,565,659.09**

3. Particulars of defined contribution plan

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance
Basic pension contribution		25,077,380.30	25,077,380.30	
Unemployment insurance		1,097,680.36	1,097,680.36	
Total		26,175,060.66	26,175,060.66	

The full-time employees of the Group in the PRC are covered by the state-managed basic endowment insurance and unemployment insurance under which the employees are entitled to a monthly pension calculated based on certain formulas. The relevant government agencies are responsible for the payment of pensions to the retired employees. The Group contributes to these retirement schemes on a monthly basis. Under these schemes, the Group has no obligation for post-retirement benefits in excess of the abovementioned contributions made.

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

(XXI) Salaries Payable (Continued)

3. Particulars of defined contribution plan (Continued)

The Group's contributions to the state-managed basic endowment insurance and unemployment insurance for its employees vest fully with the employees immediately upon its contributions. The Group does not forfeit any contributions on behalf of its employees who leave the scheme prior to such full vesting. Accordingly, there is no forfeited contribution available for the Group to reduce the existing level of contributions.

(XXII) Tax Payable

Tax item	Closing balance	Closing balance of previous year
VAT	**8,990,935.22**	13,863,642.60
Enterprise income tax	**3,079,874.59**	2,223,180.89
Individual income tax	**106,150.15**	99,148.05
City maintenance and construction tax	**1,202,620.31**	1,262,947.60
Education surcharge	**855,925.57**	893,132.58
Other taxes	**730,912.33**	846,702.98
Total	**14,966,418.17**	19,188,754.70

(XXIII) Other Payables

Item	Closing balance	Closing balance of previous year
Other payables	**26,547,616.92**	17,117,505.96
Total	**26,547,616.92**	17,117,505.96

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

(XXIII) Other Payables (Continued)

1. Other payables

(1) *Based on nature of the payments*

Item	Closing balance	Closing balance of previous year
Quality guarantee deposit	**15,996.00**	15,996.00
Deposit and guarantee	**13,774,614.00**	1,332,614.00
Current account payment	**2,057,667.83**	6,246,032.27
Insurance	**162,652.02**	595,014.76
Utilities	**9,796,808.43**	8,082,959.15
Others	**739,878.64**	844,889.78
Total	**26,547,616.92**	17,117,505.96

(XXIV) Non-current Liabilities Due within One Year

Item	Closing balance	Closing balance of previous year
Long-term borrowings due within one year	**10,000,000.00**	
Lease liabilities due within one year	**9,504,999.80**	5,912,595.53
Total	**19,504,999.80**	5,912,595.53

(XXV) Other Current Liabilities

Item	Closing balance	Closing balance of previous year
Sales tax to be transferred	**289,629.93**	34,420.48
Total	**289,629.93**	34,420.48

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

(XXVI) Long-term Borrowings

1. Presentation on long-term borrowings

Item	Closing balance	Closing balance of previous year
Credit borrowings	**300,500,000.00**	
Less: Long-term borrowings due within one year	**10,000,000.00**	
Add: Provision of interest payable on borrowings	**229,625.00**	
Total	**290,729,625.00**	

2. Analysis of maturity dates for long-term borrowings

Item	Closing balance	Closing balance of previous year
Within 1 year	**10,000,000.00**	
1 to 2 years	**10,500,000.00**	
2 to 5 years	**280,000,000.00**	
Total	**300,500,000.00**	

(XXVII) Lease Liabilities

Item	Closing balance	Closing balance of previous year
Within 1 year	**9,706,114.09**	6,241,756.81
1 to 2 years	**2,528,100.91**	3,814,522.92
2 to 5 years	**908,972.47**	3,207,715.62
Subtotal of total lease payments	**13,143,187.47**	13,263,995.35
Less: Unrecognized finance charge	**357,224.52**	651,013.77
Less: Lease liabilities due within one year	**9,504,999.80**	5,912,595.53
Total	**3,280,963.15**	6,700,386.05

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

(XXVIII) Long-term Payables

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

1. Special payables

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

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

(XXIX) Long-term Salaries Payable

1. The breakdown of long-term salaries payable

Item	Closing balance	Closing balance of previous year
I. Post-employment benefits — net liability of defined contribution plan	**33,568,188.24**	34,548,188.24
II. Termination benefits		
III. Other long-term benefits		
Total	**33,568,188.24**	34,548,188.24

2. Movements in defined contribution plan

(1) Present value of obligation of defined contribution plan

Item	Current period	Previous period
1. Closing balance of previous year	**34,548,188.24**	31,338,188.24
2. Defined contribution costs included in profit or loss for the period	**1,544,032.50**	–1,436,301.50
(1) Service costs for the period	**854,032.50**	803,698.50
(2) Prior service costs		–3,090,000.00
(3) Settlement gain (loss is presented by "–" sign)		
(4) Net interest	**690,000.00**	850,000.00
3. Defined contribution costs included in other comprehensive income	**–1,760,000.00**	5,380,000.00
(1) Actuarial gain (loss is presented by "–" sign)	**–1,990,000.00**	5,080,000.00
(2) Adjustment based on experience	**230,000.00**	300,000.00
4. Other movements	**–764,032.50**	–733,698.50
(1) Consideration paid upon settlement	**—**	
(2) Benefits paid	**–764,032.50**	–733,698.50
5. Closing balance	**33,568,188.24**	34,548,188.24

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

(XXIX) Long-term Salaries Payable (Continued)

2. Movements in defined contribution plan (Continued)

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

Item	Current period	Previous period
1. Closing balance of previous year	**34,548,188.24**	31,338,188.24
2. Defined contribution costs included in profit or loss for the period	**1,544,032.50**	–1,436,301.50
3. Defined contribution costs included in other comprehensive income	**–1,760,000.00**	5,380,000.00
4. Other movements	**–764,032.50**	–733,698.50
5. Closing balance	**33,568,188.24**	34,548,188.24

(3) Material actuarial assumptions on the present value of the defined benefits obligation and results of the sensitivity analysis

Material actuarial assumptions	At the end of the current period	At the end of the previous period	Change in assumption (%)	Effect on the present value of the defined contribution plan at the end of the period	
				Increase in assumption	Decrease in assumption
Discount rate (%) — Post-employment benefits	2.25	2	–0.25	For every 0.25 percentage point increase in the discount rate, the present value of the defined contribution plan obligation decreases by RMB1.66 million	For every 0.25 percentage point decrease in the discount rate, the present value of the defined contribution plan obligation increases by RMB1.79 million
Mortality rate (%)	CL5/CL6 (2010–2013)	CL5/CL6 (2010–2013)			
Annual turnover rate (%)	1.00	1.00			
Expected growth rate of medical benefits (%)	6.00	6.00			

The Group has a post-employment benefits — defined benefit plan, and no assets have been set aside for each of the Group's benefit plans. The defined benefit is determined based on an actuarial valuation performed by Willis Towers Watson Consulting Company Limited, an independent actuary. The undersigned actuary of the actuarial valuation report is Wu Haichuan, a fellow of the Society of Actuaries and a fellow of the China Association of Actuaries, who meets the qualification requirements for the issuance of actuarial opinions in respect of post-employment benefits and termination benefits.

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

(XXX) Deferred Income

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance	Reason of occurrence
Asset-related government grants	52,153,256.12	6,704,750.00	5,294,930.24	**53,563,075.88**	
Total	52,153,256.12	6,704,750.00	5,294,930.24	**53,563,075.88**	

(XXXI) Other Non-current Liabilities

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

(XXXII) Share Capital

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

(XXXIII) Capital reserve

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance
Other Capital reserve		956,207.53		**956,207.53**
Total		956,207.53		**956,207.53**

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

(XXXIV) Other Comprehensive Income

Item	Closing balance of previous year	Current period: Amount before income tax during the current period	Current period: Less: Transfer to profit or loss during the period that previously included in other comprehensive income	Current period: Less: Income tax expenses	Current period: Attributable to the parent company after tax	Current period: Attributable to minority shareholder after tax	Current period: Less: Transfer to retained earnings during the period from other comprehensive income	Closing balance
1. Other comprehensive income that will not be reclassified to profit or loss	−7,364,142.82	1,760,000.00		245,000.00	1,515,000.00			**−5,849,142.82**
Among which: changes from re-measurement of defined benefit plans	−7,364,142.82	1,760,000.00		245,000.00	1,515,000.00			**−5,849,142.82**
Other comprehensive income that may not be transferred to profit or loss under the equity method								
Changes in fair value of other equity instrument investments								
Changes in fair value of the enterprise's own credit risk								
2. Other comprehensive income that will be reclassified to profit or loss								
Total other comprehensive income	−7,364,142.82	1,760,000.00		245,000.00	1,515,000.00			**−5,849,142.82**

(XXXV) Special Reserve

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance
Safety production fee	25,630,609.10		477,474.71	**25,153,134.39**
Total	25,630,609.10		477,474.71	**25,153,134.39**

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

(XXXVI) Surplus Reserve

Item	Closing balance of previous year	Increase during the current period	Decrease during the current period	Closing balance
Statutory surplus reserve	45,131,170.29	4,473,437.26		**49,604,607.55**
Discretionary surplus reserve				
Total	45,131,170.29	4,473,437.26		**49,604,607.55**

(XXXVII) Undistributed Profits

Item	Current period	Incurred during the previous period
Undistributed profits at the end of previous year before adjustment	**513,062,175.52**	461,731,649.36
Adjustments to total unallocated profits at the beginning of the year (upward +, downward –)		
Undistributed profits at the beginning of the year after adjustment	**513,062,175.52**	461,731,649.36
Add: Net profit attributable to owners' equity of the parent company during the current period	**81,707,199.57**	99,899,660.72
Less: Withdrawal of statutory surplus reserve	**4,473,437.26**	6,566,134.56
Withdrawal of discretionary surplus reserve		
Withdrawal of general risk reserve		
Dividend payable on ordinary shares	**30,335,500.00**	42,003,000.00
Ordinary shares dividends transferred to share capital		
Undistributed profits at the end of the period	**559,960,437.83**	513,062,175.52

(XXXVIII) Operating Income and Operating Costs

1. Operating income and operating costs

Item	Current period		Incurred during the previous period	
	Income	Cost	Income	Cost
Principal operating business	**1,698,842,646.38**	**1,476,857,537.24**	1,800,308,638.17	1,546,086,707.25
Other businesses	**5,907,996.19**	**2,902,285.37**	5,391,525.74	2,458,444.22
Total	**1,704,750,642.57**	**1,479,759,822.61**	1,805,700,163.91	1,548,545,151.47

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

(XXXVIII) Operating Income and Operating Costs (Continued)

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

Contract category	Incurred during the current period: Heat supply business	Construction, maintenance and design services	Total
I. By commodity	**1,664,747,900.33**	**40,002,742.24**	**1,704,750,642.57**
Heat supply	**1,583,805,352.50**		**1,583,805,352.50**
Pipeline connection fee	**69,980,784.79**		**69,980,784.79**
Heat transmission	**10,961,763.04**		**10,961,763.04**
Engineering construction		**27,040,815.51**	**27,040,815.51**
Engineering maintenance		**231,998.94**	**231,998.94**
Design services		**6,768,929.36**	**6,768,929.36**
Others		**5,960,998.43**	**5,960,998.43**
II. By business area	**1,664,747,900.33**	**40,002,742.24**	**1,704,750,642.57**
Northeast region	**1,664,747,900.33**	**40,002,742.24**	**1,704,750,642.57**
Others			
III. By market or customer	**1,664,747,900.33**	**40,002,742.24**	**1,704,750,642.57**
Corporate	**603,337,892.42**	**40,002,742.24**	**643,340,634.66**
Residential	**1,061,410,007.91**		**1,061,410,007.91**
IV. By contract	**1,664,747,900.33**	**40,002,742.24**	**1,704,750,642.57**
Sales	**1,653,786,137.29**	**431,095.24**	**1,654,217,232.53**
Service	**10,961,763.04**	**39,571,647.00**	**50,533,410.04**
V. By the time of commodity transfer	**1,664,747,900.33**	**40,002,742.24**	**1,704,750,642.57**
At a point in time		**431,095.24**	**431,095.24**
Over a period of time	**1,664,747,900.33**	**39,571,647.00**	**1,704,319,547.33**
VI. By contract term	**1,664,747,900.33**	**40,002,742.24**	**1,704,750,642.57**
Within 1 year	**1,594,767,115.54**	**19,833,800.43**	**1,614,600,915.97**
Over 1 year	**69,980,784.79**	**20,168,941.81**	**90,149,726.60**
VII. By sales channel	**1,664,747,900.33**	**40,002,742.24**	**1,704,750,642.57**
Centralized heating	**1,664,747,900.33**		**1,664,747,900.33**
Others		**40,002,742.24**	**40,002,742.24**
Total	**1,664,747,900.33**	**40,002,742.24**	**1,704,750,642.57**

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

(XXXVIII) Operating Income and Operating Costs (Continued)

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

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

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

(XXXIX) Taxes and Surcharges

Item	Current period	Incurred during the previous period
City maintenance and construction tax	**714,019.73**	977,456.58
Education surcharge	**305,992.07**	397,368.92
Local education surcharge	**203,994.71**	301,917.45
Property tax	**403,061.81**	450,222.83
Land use tax	**147,369.12**	131,391.53
Vehicle and vessel tax	**40,817.31**	44,254.23
Stamp duty	**922,621.34**	919,040.35
Environmental protection tax	**243,659.63**	160,271.15
Hydraulic Construction Fund	**738,880.26**	1,364,989.68
Total	**3,720,415.98**	4,746,912.72

(XL) Selling Expenses

Item	Current period	Incurred during the previous period
Service charges	**682,619.67**	812,474.93
Total	**682,619.67**	812,474.93

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

(XLI) Administrative Expenses

Item	Incurred during the current period	Incurred during the previous period
Entertainment expenses	**19,420.00**	36,005.90
Salaries payable	**70,285,970.67**	63,441,605.33
Maintenance fee	**397,003.23**	427,357.99
Depreciation of fixed assets	**4,346,636.61**	3,441,442.24
Amortisation of intangible assets	**1,460,515.43**	1,348,044.26
Technological transfer and services	**1,306,614.27**	1,285,794.30
Insurance fee	**2,131,157.31**	4,002,475.57
Rental fee	**3,833,871.47**	4,169,849.05
Office expenses	**7,802,784.83**	8,133,391.86
Travel expenses	**369,034.60**	482,028.60
Agency fees	**3,480,221.53**	14,625,943.50
Auditor's remuneration	**1,483,962.26**	1,829,622.64
Consulting fee	**911,109.94**	56,603.77
Litigation fees	**22,316.45**	9,324.00
Property management fee	**22,389.96**	37,543.46
Party building expenses	**641,353.30**	852,452.88
Disabled security fund	**1,583,088.86**	1,647,195.55
Utility	**475,342.93**	244,795.35
Labour protection expenses	**92,379.15**	105,366.00
Security maintenance fees	**27,458.23**	76,013.03
Vehicle running costs	**518,063.82**	628,429.46
Low-value consumables	**482,199.88**	286,057.28
Heating expenses	**126,158.96**	207,649.38
Other	**2,121,325.66**	1,569,781.83
Total	**103,940,379.35**	108,944,773.23

(XLII) Research and Development Expenses

Item	Incurred during the current period	Incurred during the previous period
Salaries	**1,183,334.00**	1,361,365.98
Research and development materials costs		46,840.30
Depreciation expenses		3,095.27
Commissioning external development costs	**37,735.84**	75,471.70
Other	**1,221,069.84**	1,486,773.25

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

(XLIII) Finance costs

Item	Incurred during the current period	Incurred during the previous period
Interest expenses	**17,935,704.02**	9,255,842.25
Of which: Interest expenses of lease liabilities	**351,142.21**	543,447.35
Less: interest income	**6,235,745.68**	13,735,707.44
Exchange gain and loss	**–31,953.10**	256,565.80
Handling fee	**51,221.59**	303,882.92
Total	**11,719,226.83**	–3,919,416.47

(XLIV) Other income

Item	Incurred during the current period	Incurred during the previous period
Government grants	**7,287,733.69**	5,956,302.45
Handling fee for withholding personal income tax	**68,860.95**	30,805.25
Total	**7,356,594.64**	5,987,107.70

(XLV) Investment income

Item	Incurred during the current period	Incurred during the previous period
Interest income from debt investment during the holding period	**16,287,631.26**	
Total	**16,287,631.26**	

(XLVI) Credit impairment loss

Item	Incurred during the current period	Incurred during the previous period
Bad debt loss of trade receivables	**35,130,592.37**	9,490,420.83
Bad debt loss of other receivables	**1,059,732.00**	11,427,863.70
Total	**36,190,324.37**	20,918,284.53

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

(XLVII) Assets Impairment Loss

Item	Incurred during the current period	Incurred during the previous period
Inventory impairment loss	**243,821.12**	2,035,844.28
Contract assets impairment loss	**–27,774,241.93**	–20,110,566.08
Fixed assets impairment loss	**21,946.70**	10,176,812.07
Constructions in progress impairment loss	**3,800,273.10**	
Total	**–23,708,201.01**	–7,897,909.73

(XLVIII) Gain on disposal of assets

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

(XLIX) Non-operating income

Item	Incurred during the current period	Incurred during the previous period	Amount included in non-recurring profit or loss of the current period
Gain on destruction and scrapping of non-current assets	**1,713,832.58**	900,342.92	1,713,832.58
Income from damages for breach of contract	**59,695.14**	531,071.44	59,695.14
Other	**160,857.64**	282,248.60	160,857.64
Total	**1,934,385.36**	1,713,662.96	1,934,385.36

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

(L) Non-operating expenses

Item	Incurred during the current period	Incurred during the previous period	Amount included in non-recurring profit or loss of the current period
Damages, liquidated damages and penalty payments	**336,041.05**	1,474,388.58	336,041.05
Other	**1,500,050.10**	55,258.16	1,500,050.10
Total	**1,836,091.15**	1,529,646.74	1,836,091.15

(LI) Income tax expenses

1. Income Tax Expenses

Item	Incurred during the current period	Incurred during the previous period
Current income tax expenses	**41,636,999.65**	54,136,575.96
Deferred income tax expenses	**–8,376,694.18**	–15,715,570.75
Total	**33,260,305.47**	38,421,005.21

2. Reconciliation between accounting profit and income tax expenses

Item	Incurred during the current period
Total profit	**114,967,505.04**
Income tax expenses calculated at statutory tax rates	**28,741,876.28**
Effect of different tax rates applied by subsidiaries	**–459,066.34**
Effect of adjustments to income tax on prior periods	**3,715,083.01**
Effect of non-taxable income	
Effect of non-deductible costs, expenses and losses	**91,560.09**
Effect of deductible loss on utilisation of deferred income tax assets not recognised in the previous period	**–1,302,728.94**
Effect of deductible temporary difference or deductible loss on deferred income tax assets not recognised in the current period	**2,473,581.37**
Income tax expenses	**33,260,305.47**

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

(LII) 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	Incurred during the current period	Incurred during the previous period
Combined net profit attributable to ordinary shareholders of the parent company	**81,707,199.57**	99,899,660.72
Weighted average of outstanding ordinary shares of the Company	**466,700,000.00**	466,700,000.00
Basic earnings per share	**0.18**	0.21
Of which: Basic earnings per share from continuing operation	**0.18**	0.21
Basic earnings per share from discontinued operation		

2. **Diluted earnings per share**

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

Item	Current period	Previous period
Combined net profit (diluted) attributable to ordinary shareholders of the parent company	**81,707,199.57**	99,899,660.72
Weighted average (diluted) of outstanding ordinary shares of the Company	**466,700,000.00**	466,700,000.00
Diluted earnings per share	**0.18**	0.21
Of which: Diluted earnings per share from continuing operation	**0.18**	0.21
Diluted earnings per share from discontinued operation		

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

(LIII) Items in Statement of Cash Flows

1. Cash relating to operating activities

(1) Cash received relating to other operating activities

Item	Current period	Previous period
Current account payment	**158,140,075.00**	1,064,309.60
Interest income	**6,235,745.68**	13,735,707.44
Government grants	**8,697,553.45**	18,273,962.55
Tender deposit	**33,112,350.18**	5,058,392.37
Other	**6,949,668.70**	2,881,165.93
Total	**213,135,393.01**	41,013,537.89

(2) Cash paid relating to other operating activities

Item	Current period	Previous period
Out-of pocket expenses	**21,120,527.15**	16,631,399.33
Handling fee	**51,082.69**	303,882.92
Current account payment	**4,000,000.00**	
Deposit and guarantee	**19,309,000.00**	2,492,631.47
Other	**7,367,454.11**	10,864,227.15
Total	**51,848,063.95**	30,292,140.87

2. Cash relating to other financing activities

(1) Cash paid relating to other financing activities

Item	Current period	Previous period
Principal and interest on lease liabilities	**864,540.00**	1,536,458.71
Foreign exchange gains and losses on dividend payments		279,829.78
Total	**864,540.00**	1,816,288.49

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

(LIV) Supplementary Information for Statement of Cash Flows

1. Supplementary Information for Statement of Cash Flows

Supplementary information	Current period	Previous period
1. Adjustment of net profit to cash flow of operating activities		
Net profit	**81,707,199.57**	99,899,660.72
Add: Credit impairment loss	**36,190,324.37**	20,918,284.53
Impairment provision for assets	**–23,708,201.01**	–7,897,909.73
Depreciation of fixed assets	**144,562,069.72**	132,378,644.82
Consumption of oil and gas assets		
Depreciation of right-of-use assets	**3,714,823.85**	3,548,704.88
Amortisation of intangible assets	**1,544,497.07**	1,413,223.22
Amortisation of long-term deferred expenditures		52,873.11
Loss on disposal of fixed assets, intangible assets and other long-term assets (presented by a "–" sign for gain)		–86,422.03
Loss on scrapped fixed assets (presented by a "–" sign for gain)		
Loss on change in fair value (presented by a "–" sign for gain)		
Financial costs (presented by a "–" sign for gain)	**17,935,704.02**	9,255,842.25
Investment loss (presented by a "–" sign for gain)	**-16,287,631.26**	
Decrease in deferred income tax assets (presented by a "–" sign for increase)	**–2,923,495.94**	–9,501,065.80
Increase in deferred income tax liabilities (presented by a "–" sign for decrease)	**–5,200,331.41**	–7,016,712.94
Decrease in inventories (presented by a "–" sign for increase)	**1,865,847.53**	–3,975,432.18
Decrease of operating receivables (presented by a "–" sign for increase)	**–49,296,095.35**	–250,667,629.20
Increase of operating payables (presented by a "–" sign for decrease)	**138,907,140.64**	47,698,072.49
Other		
Net cash flows from operating activities	**329,011,851.80**	36,020,134.14
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Right-of-use assets acquired by undertaking lease liabilities		
3. Net movement in cash and cash equivalents		
Cash at the end of the period	**1,037,030,142.74**	1,449,174,167.52
Less: cash at the beginning of period	**1,449,174,167.52**	1,111,041,609.91
Add: cash equivalents at end of the period		
Less: cash equivalents at beginning of the period		
Net increase in cash and cash equivalents	**–412,144,024.78**	338,132,557.61

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

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

2. The composition of cash and cash equivalents

Item	Closing balance	Balance as at the end of previous year
I. Cash	**1,037,030,142.74**	1,449,174,167.52
Of which: Cash on hand		
Bank deposit available for payment at any time	**1,037,030,142.74**	1,449,174,167.52
Other monetary funds available for payment at any time		
II. Cash equivalents		
Of which: Bond investment due in three months		
III. Cash and cash equivalents at the end of the period	**1,037,030,142.74**	1,449,174,167.52
Of which: Cash and cash equivalents held but can not be used by the parent or subsidiaries within the group		

Monetary funds that are not cash and cash equivalents:

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

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

(LV) Lease

1. As Lessee

Item	Current period	Previous period
Interest expenses on lease liabilities	**351,142.21**	543,447.35
Expenses on simplified approach to the short-term lease, included in cost of related assets or profit or loss of the current period	**119,047.62**	904,761.91
Expenses on simplified approach to the lease of low-value assets (other than expenses on short-term lease of low-value assets), included in cost of related assets or profit or loss of the current period		
Variable lease payments not included in the measurement of lease liabilities, included in cost of related assets or profit or loss of the current period		
Among which: from sale-leaseback transaction		
Income arising from subleasing right-of-use assets		
Total cash outflow relating to lease	**864,540.00**	1,536,458.71
Related profit or loss arising from sale-leaseback transaction		
Cash inflows from sale-leaseback transaction		
Cash outflows from sale-leaseback transaction		

2. As lessor

(1) Operating lease

	Current period	Previous period
Income from operating leases	**247,706.42**	
Among which: Income related to variable lease payments not included in lease receipts		

VI. RESEARCH AND DEVELOPMENT EXPENSES

(I) Research and Development Expenses

Item	Current period	Previous period
Salaries	**1,183,334.00**	1,361,365.98
Materials costs		46,840.30
Depreciation expenses		3,095.27
Commissioning external development costs	**37,735.84**	75,471.70
Total	**1,221,069.84**	1,486,773.25
Among which: Research and development expenses expensed	**1,221,069.84**	1,486,773.25
Research and development expenses capitalised		

VII. CHANGE OF THE SCOPE OF COMBINATION

The Group has no change of the scope of combination for the current period.

VIII. INTERESTS IN OTHER ENTITIES

(I) Interests in Subsidiaries

1. Composition of the Group

Name of subsidiary	Registered capital (in RMB 0,000)	Primary operation place	Place of registration	Nature of business	Type of Legal Entity	Shareholding percentage (%) Direct	Shareholding percentage (%) Indirect	Form of acquisition
Jilin Province Chuncheng Heating Pipelines Operation and Maintenance Company Limited* (吉林省春城熱力管網運維有限公司)	1,000	Changchun, Jilin	Changchun, Jilin	Maintenance service, installation, repair and maintenance of heating facilities	Limited Liability Company	100		Business combination under common control
Changchun City Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限責任公司)	4,000	Changchun, Jilin	Changchun, Jilin	Heat construction works and maintenance works	Limited Liability	100		Business combination under common control
Jilin Province Changre Pipelines Transmission Company Limited* (吉林省長熱管網輸送有限公司)	5,000	Changchun, Jilin	Changchun, Jilin	Production of electricity and heat and heat supply network transmission services	Limited Liability	100		Business combination under common control
Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司)	500	Changchun, Jilin	Changchun, Jilin	Engineering design	Limited Liability	100		Business combination under common control
Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱電氣儀錶有限公司)	400	Changchun, Jilin	Changchun, Jilin	Apparatus manufacturing and sales	Limited Liability	100		Business combination under common control
Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司)	2,000	Changchun, Jilin	Changchun, Jilin	Application of biomass energy	Limited Liability	100		Establishment with investment
Changchun Yatai Heating Co., Ltd.* (長春熱力亞泰有限責任公司)	12,870	Changchun, Jilin	Changchun, Jilin	Production, supply and sale of heat	Limited Liability	100		Business combination under common control
Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司)	2,000	Changchun, Jilin	Changchun, Jilin	Production, supply and sale of heat	Limited Liability	100		Business combination not under common control
Jilin Province Hengxin Electricity Co. Ltd.* (吉林省恒信售電有限公司)	3,000	Changchun, Jilin	Changchun, Jilin	Supply of electricity	Limited Liability	100		Business combination not under common control
Jilin Chuncheng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司)	10,000	Changchun, Jilin	Changchun, Jilin	Application of biomass energy	Limited Liability	100		Establishment with investment
Jilin Province Northeast Heating Co., Ltd.* (吉林省東北供熱有限公司)	2,000	Changchun, Jilin	Changchun, Jilin	Supply of heat services	Limited Liability	60		Business combination not under common control

IX. GOVERNMENT GRANTS

(I) Government grants included in profit or loss of the current period

Type	Current period	Previous period
Government grants related to assets	**5,294,930.24**	4,415,263.64
Government grants related to revenue	**1,992,803.45**	1,541,038.81
Total	**7,287,733.69**	5,956,302.45

(II) Liabilities in relation to government grants

Liability item	Closing balance of previous year	Grants increased during the current period	Included in non-operating income during the current period	Transferred to other income during the current period	Elimination of cost charges during the current period	Other changes	Closing balance	Asset-related/ Income-related
Deferred revenue	52,153,256.12	6,704,750.00		5,294,930.24			53,563,075.88	Government grants related to assets

X. RISKS IN RELATION TO FINANCIAL INSTRUMENTS

(I) Risks arising from financial instruments

The Company may be exposed to all kinds of financial risks in its operating activities: credit risks, liquidity risks and market risks (including exchange risk, interest rate risk and other price risk). Such financial risks and the risk management policies adopted by the Company to mitigate these risks are set out below:

The Board is responsible for planning and establishing the risk management structure for the Company, and developing risk management policies and the related guidelines across the Company, and supervising the performance of risk management measures. The Company has developed risk management policies to identify and analyze risks exposed to the Company. These risk management policies have clear regulations over specific risks, covering various aspects of market risk, credit risk and liquidity risk. The Company will evaluate the market environment and changes of the Company's operating activities on a regular basis to decide whether to update the risk management policies and systems. The risk management of the Company is carried out by the Risk Management Committee based on the policies as approved by the Board. Risk Management Committee identifies, evaluates and mitigates related risks by working closely with other business divisions of the Company. Internal Audit Department of the Company will review the risk management control and process regularly, and submit the review results to Audit Committee of the Company.

The Company spreads the risks of financial instruments through appropriate diversified investment and business portfolio, and mitigates the risk of focusing on any single industry, specific regions or counterparties by way of formulating the corresponding policies for risk management.

1. Credit Risk

Credit risk refers to the risk of financial losses to the Company as a result of the failure of performance of contractual obligations by the counterparties. The Company's credit risk arises mainly from cash and cash equivalents, notes receivable, accounts receivable, contract assets, other receivables and so on. On the balance sheet date, the book value of the Company's financial assets has represented its maximum credit risk exposure.

The Company's cash and cash equivalents are mainly bank deposits placed with reputable state-owned banks and other large and medium-sized listed banks with high credit ratings, which the Company believes that they have no significant credit risk and will almost never incur significant losses due to bans defaults.

In addition, for notes receivable, accounts receivable, contract assets and other receivables, the Company has set the relevant policies to control credit risk exposure. The Company, based on the customers' financial positions, the possibility of obtaining guarantees from the third party, credit records and other factors such as the current market conditions, evaluated the credit qualifications of customers and set credit term. The Company would monitor the customers' credit records periodically; as for the customers with bad credit records, the Company would adopt the methods including requesting a payment in writing or shortening or canceling credit term so as to keep the Company's overall credit risks within controllable scope.

X. RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(I) Risks arising from financial instruments (Continued)

2. Liquidity Risk

Liquidity risk refers to the risk of fund shortage when the Company performs its obligation by cash payment or settlement through other financial assets.

The policy of the Company is to ensure that there is sufficient cash for the payment of the matured debts. Liquidity risk is under centralized control of the financial department of the Company. The financial department monitors cash balance and makes rolling forecast on cash flows of the next 12 months to ensure that the Company has sufficient funds to repay debts in all cases of reasonable prediction. Meanwhile, it keeps monitoring whether provisions of the borrowing agreement are satisfied, and obtains commitments of main financial institutions for providing sufficient reserve funds to satisfy the demand for short-term and long-term funds.

Various financial liabilities of the Company should be presented at undiscounted contractual cash flows on the maturity date as follows:

	Closing balance						
Items	**Immediate repayment**	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total undiscounted contract amount**	**Carrying value**
Short-term borrowings		**158,496,486.29**				**158,496,486.29**	**155,692,589.71**
Trade payables		**248,622,217.67**				**248,622,217.67**	**248,622,217.67**
Other payables		**26,547,616.92**				**26,547,616.92**	**26,547,616.92**
Non-current liabilities due within one year		**19,700,833.13**				**19,700,833.13**	**19,504,999.80**
Long-term borrowings		**229,625.00**	**27,861,166.67**	**286,603,333.33**		**314,694,125.00**	**290,729,625.00**
Lease liabilities			**2,528,100.91**	**908,972.47**		**3,437,073.38**	**3,280,963.15**
Total		**453,596,779.01**	**30,389,267.58**	**287,512,305.80**		**771,498,352.39**	**744,378,012.25**

	Closing balance of previous year						
Items	Immediate repayment	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted contract amount	Carrying value
Short-term borrowings		631,940,477.03				631,940,477.03	616,185,080.42
Bills payable		88,600,000.00				88,600,000.00	88,600,000.00
Trade payables		288,333,372.32				288,333,372.32	288,333,372.32
Other payables		17,117,505.96				17,117,505.96	17,117,505.96
Non-current liabilities due within one year		5,912,595.53				5,912,595.53	5,912,595.53
Lease liabilities			3,814,522.92	4,257,899.11		8,072,422.03	6,700,386.05
Total		1,031,903,950.84	3,814,522.92	4,257,899.11		1,039,976,372.87	1,022,848,940.28

X. RISKS IN RELATION TO FINANCIAL INSTRUMENTS (Continued)

(I) Risks arising from financial instruments (Continued)

3. Market Risk

Market risk refers to the risk of fluctuation in the fair value or future cash flows of financial instruments due to changes in market price, including foreign exchange rate risk, interest rate risk and foreign currency risk.

(1) Interest rate risk

Interest rate risks refer to the risks of fluctuation in the fair value or future cash flows of financial instruments due to changes in market interest rate. The Company's interest rate risk primarily arises from bank borrowings. Floating-rate interest-bearing financial instruments make the Company expose to cash flow interest rate risk and fixed-rate interest-bearing financial instruments make the Company expose to fair value interest rate risk. Both the Company's short-term borrowings and long-term borrowings bear fixed interest rates.

(2) Exchange risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in foreign exchange rate. The Company pays close attention to the impact of exchange rate changes on the Company's foreign exchange risk. The management of the Company believes that the major and continuing business of the Company are denominated and settled in RMB, the exchange rate risk may have no significant impact on the Company's major and continuing business.

(3) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than exchange rate risk and interest rate risk.

XI. DISCLOSURE OF FAIR VALUE

As of 31 December 2025, the Company has no financial instruments measured at fair value.

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Particulars of the Parent Company

Name of parent company	Place of registration	Nature of business	Registered capital (RMB0'000)	Percentage of shareholding in the Company (%)	Percentage of voting right in the Company (%)
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	No. 998 Nanhu Road, Nanguan District, Changchun City	Heat production service	36,100	69.75	69.75

The parent company of the Company changed its name from Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司) to Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司) on January 24, 2025.

The ultimate controlling party of the Company is SASAC Changchun, whose place of registration is the PRC.

(II) Particulars of the Subsidiaries

For details of the subsidiaries of the Company, please refer to Note "VIII (I) Interests in Subsidiaries".

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Particulars of Other Related Parties

Name of other related party	Relationship between other related parties and the Company
SONG Chi	Chairman and non-executive Director
Zhang Liming	Vice chairman, executive Director and general manager (appointed on May 16, 2025)
XU Chungang	Executive Director, deputy general manager and financial controller
YANG Zhongshi	Non-executive Director (appointed on May 16, 2025)
SHI Mingjun	Non-executive Director (appointed on May 16, 2025)
ZHANG Yan	Independent non-executive Director (appointed on May 16, 2025)
DU Jie	Independent non-executive Director (appointed on May 16, 2025)
CHAN Sing Fai	Independent non-executive Director (appointed on May 16, 2025)
QIU Jianhua	Employee Director (appointed on May 16, 2025)
LI Yeji	Executive Director (resigned on May 16, 2025)
FU Yachen	Independent non-executive Director (resigned on March 28, 2025)
POON Pok Man	Independent non-executive Director (resigned on March 28, 2025)
HUANG Jinsong	Deputy general manager (appointed in March 28, 2025)
LIU Yanan	Deputy general manager
WAN Tao	Deputy general manager, Board secretary and joint company secretary
LEUNG Hoi Yan	Joint company secretary (appointed on September 23, 2025)
LEE Chung Shing	Joint company secretary (resigned on September 23, 2025)
ZHANG Wei	Supervisor (resigned upon the cancellation of the Supervisory Committee in May 2025)
LI Xiaoling	Employee representative supervisor (resigned upon the cancellation of the Supervisory Committee in May 2025)
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	Parent company
Jilin Province Heating Group Co., Ltd.*	Entity controlled by same parent company
Jilin Province Heating Group Meihekou Public Utilities Co., Ltd.* (吉林省熱力集團梅河口市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Baicheng Public Utilities Co., Ltd.* (吉林省熱力集團白城市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Tonghua Public Utilities Co., Ltd.* (吉林省熱力集團通化市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林市公用事業有限公司)	Entity controlled by same parent company

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(III) Particulars of Other Related Parties (Continued)

Name of other related party	Relationship between other related parties and the Company
Jilin Province Chuncheng Security Guarding and Escorting Co., Ltd.* (吉林省春城保安守護押運有限公司)	Entity controlled by same parent company
Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	Entity controlled by same parent company
Jilin Province Changre Properties Co., Ltd.* (吉林省長熱物業有限公司)	Entity controlled by same parent company
Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	Entity controlled by same parent company
Inner Mongolia Chuncheng Heating Service Co., Ltd.* (內蒙古春城熱力服務有限公司)	Entity controlled by same parent company
Changre Group Linjiang Heat Supply Co., Ltd.* (臨江市春城公用事業有限公司)	Entity controlled by same parent company
Jilin Province Changre Daling Heating Co., Ltd.* (吉林省長熱大嶺供熱有限公司)	Entity controlled by same parent company
Changchun Heating Pipeline Construction and Operation Co., Ltd.* (長春市熱力管網建設經營有限公司)	Entity controlled by same parent company
Changchun Chuntou Environmental Energy Technology Co., Ltd.* (長春市春投環能貿易有限公司) (Cancelled on March 31, 2025)	Entity controlled by same parent company
Jilin Province Smart Equipment Co., Ltd.* (吉林省智能裝備有限責任公司)	A associated company of the parent company
Jilin Province New Type Pipe Company Limited* (吉林省新型管業有限責任公司)	A associated company of the parent company
Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司)	A associated company of the parent company
Pangshi Guotai Security Services Limited* (磐石市國泰保安服務有限公司)	A associated company of the parent company

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related Party Transactions

1. Related transactions in relation to purchase and sale of goods, provide and receipt of services

Table of purchase of goods/receipt of services

Related party	Description of the related party transaction	Incurred during the current period	Incurred during the previous period
Jilin Province Changre Properties Co., Ltd.* (吉林省長熱物業有限公司)	Receipt of services		31,428.35
Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司)	Purchase of goods	**20,567,137.23**	28,920,296.13
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**	77,576,710.39
Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限責任公司)	Purchase of goods	**32,150,011.49**	26,488,894.46
Total	—	**68,770,883.58**	133,017,329.33

Table of sale of goods/provision of services

Related party	Description of the related party transaction	Incurred during the current period	Incurred during the previous period
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	Sale of goods, provision of services	**9,637,506.57**	70,302,580.45
Jilin Heating Group Co., Ltd* (吉林省熱力集團有限公司)	Provision of services	**7,096,462.53**	10,644,948.59
Jilin Heating Group Tonghua Public Utility Co., Ltd* (吉林省熱力集團通化市公用事業有限公司)	Sale of goods, provision of services		
Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	Provision of services	**3,265,050.50**	1,982,982.16
Inner Mongolia Chuncheng Heating Service Co., Ltd.* (內蒙古春城熱力服務有限公司)	Provision of services	**93,889.62**	1,740,830.90
Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	Provision of services		538,840.37
Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林市公用事業有限公司)	Provision of services		3,871,544.95
Total	—	**20,092,909.22**	89,081,727.42

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related Party Transactions (Continued)

2. Particulars of leasing with related party

The Company as the lessor:

Name of the lessee	Type of leased assets	**Lease income recognized during the current period**	Lease income recognized during the previous period
Changchun Thermal Network Construction and Operation Co., Ltd.* (長春市熱力管網建設經營有限公司)	Buildings	**247,706.42**	

The Company as the lessee:

Name of the lessor	Type of leased assets	**Current period** Simplified short-term lease and low-value asset lease rental expenses	**Current period** Variable lease payments not included in lease liability measurement	**Current period** Rent paid	**Current period** Lease liability interest expenses incurred	**Current period** Right-of-use asset additions	Previous period Simplified short-term lease and low-value asset lease rental expenses	Previous period Variable lease payments not included in lease liability measurement	Previous period Rent paid	Previous period Lease liability interest expenses incurred	Previous period Right-of-use asset additions
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	Buildings			864,540.00	318,049.03				1,164,715.59	488,719.89	5,943,125.00
Jilin Province Changre Properties Co., Ltd.* (吉林省長熱物業有限公司)	Buildings				27,706.40	1,154,433.23					

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related Party Transactions (Continued)

3. Loans and Borrowings of Related Parties

Related Party	Amount of Loans and Borrowings (RMB'0,000)	Start Date	Due Date
Loans			
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	1,380.00	20250106	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	8,566.37	20250106	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	1,000.00	20250120	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	4,981.16	20250123	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	1,000.00	20250124	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	1,000.00	20250126	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	500.00	20250126	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	1,072.47	20250211	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	600.00	20250221	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	500.00	20250319	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	500.00	20250416	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	3,000.00	20250424	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	1,500.00	20250528	20291231
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	4,400.00	20251205	20291231
Total	30,000.00		

Pursuant to the circular of the Company issued on the Hong Kong Stock Exchange on 9 December 2024, the Company, as lender, and Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), a controlling shareholder of the Company, as borrower, entered into the Loan Agreement, with amount of not more than RMB300 million and an interest rate of 4.5% per annum. The Loan is provided for the "Retreat from the City and Enter into the Suburbs Project" (退城進郊項目) transformation of old pipe network(s), as well as for general working capital.

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related Party Transactions (Continued)

4. Assets Transfer and and Debt Restructuring of Related Party

Related party	Description of the related party transaction	Incurred during the current period	Incurred during the previous period
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	Purchase of fixed assets and intangible assets	**131,723,531.24**	35,018,512.86

5. Remuneration of key management

(1) Remuneration of key management

In accordance with the Listing Rules, Sections 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance, and the Companies (Disclosure of Interests of Directors) Regulations, the emoluments of the Company's Directors and Supervisors for the year ended 31 December 2025 are set out below:

Item	Fee	Salaries and subsidies	Performance bonuses	Retirement scheme contributions	Total
Executive Director:					
ZHANG Liming		208,604.01		27,978.96	236,582.97
XU Chungang		389,058.16		41,761.68	430,819.84
LI Yeji		197,234.75	79,200.00	33,513.60	309,948.35
Sub-total		794,896.92	79,200.00	103,254.24	977,351.16
Non-executive Director:					
SONG Chi					
YANG Zhongshi		443,446.16		41,761.68	485,207.84
SHI Mingjun		406,070.16		41,761.68	447,831.84
Sub-total		849516.32		83523.36	933039.68
Independent non-executive Director:					
FU Yachen	37,365.66				37,365.66
POON Pok Man	56,052.00				56,052.00
ZHANG Yan	100,000.00				100,000.00
CHAN Sing Fai	93,948.00				93,948.00
DU Jie	62,634.34				62,634.34
Sub-total	350,000.00				350,000.00
Employee Director:					
QIU Jianhua		202,404.01		27,978.96	230,382.97
Sub-total		202,404.01		27,978.96	230,382.97
Total	350,000.00	1,846,817.25	79,200.00	214,756.56	2,490,773.81

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related Party Transactions (Continued)

5. Remuneration of key management (Continued)

(1) Remuneration of key management (Continued)

The remuneration of the Directors and Supervisors of the Company for the year ended 31 December 2024 is set out as follows:

Item	Fee	Salaries and subsidies	Performance bonuses	Retirement scheme contributions	Total
Executive Director:					
YANG Zhongshi		477,380.47		39,841.44	517,221.91
XU Chungang		432,464.15		39,841.44	472,305.59
SHI Mingjun		420,590.43		39,841.44	460,431.87
LI Yeji		184,041.24	60,000.00	31,935.36	275,976.60
Sub-total		1,514,476.29	60,000.00	151,459.68	1,725,935.97
Non-executive Director:					
SONG Chi					
SUN Huiyong					
Sub-total					
Independent non-executive Director:					
WANG Yuguo	41,666.65				41,666.65
FU Yachen	100,000.00				100,000.00
POON Pok Man	150,000.00				150,000.00
ZHANG Yan	58,333.35				58,333.35
Sub-total	350,000.00				350,000.00
Supervisor:					
LI Xiaoling		180,767.78	46,000.00	28,421.76	255,189.54
Sub-total		180,767.78	46,000.00	28,421.76	255,189.54
Total	350,000.00	1,695,244.07	106,000.00	179,881.44	2,331,125.51

Notes:

① SUN Huiyong has resigned as the chairman on March 2024. WANG Yuguo has resigned as the Independent non-executive Director on May 2024.

② Mr. YANG Zhongshi was re-designated from an executive Director to a non-executive Director in March 2025 due to a change in work arrangements. Mr. SHI Mingjun resigned as an executive Director in March 2025 and was appointed as a non-executive Director in May 2025. Mr. Li Yeji resigned as an executive Director in April 2025. Ms. Li Xiaoling resigned as a supervisor in May 2025 following the abolition of the Supervisory Committee.

③ Mr. ZHANG Liming was appointed as an executive Director in May 2025. Mr. FU Yachen and Mr. POON Pok Man resigned as independent non-executive Directors in May 2025. Ms. DU Jie and Mr. CHAN Sing Fai were appointed as independent non-executive Directors in May 2025. Mr. QIU Jianhua was appointed as an employee Director in May 2025.

④ During the period, no Directors or Supervisors waived any emoluments and no emoluments were paid to any of the Directors or Supervisors as an inducement to join or upon joining the Company or as a compensation for loss of office.

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(IV) Related Party Transactions (Continued)

5. Remuneration of key management (Continued)

(2) *Five highest paid employees*

For the year ending 31 December 2025, the five highest paid employees comprise three Directors and two senior executives (2024: three Directors and two senior executives). Details of the remuneration of the Directors and Supervisors are set out in note XII(IV) above. Details of the remuneration of the remaining highest paid employees who are neither a Director nor a Supervisor of the Company are as follows:

Item	Incurred during the current period	Incurred during the previous period
Salaries, allowances and benefits in kind	**996,987.56**	710,136.18
Performance bonuses		
Retirement scheme contributions	**114,948.00**	75,728.64
Total	**1,111,935.56**	785,864.82

The number of highest paid employees who are neither a Director nor a Supervisor and whose remuneration falls within the following bands are as follows:

Band	Number of employees during the current year	Number of employees during the previous year
Nil to HKD1,000,000	**3**	2

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Amounts due from/to related party

1. Amounts due from related parties

Item	Related party	Closing balance		Closing balance of previous year	
		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)	**50,337,361.83**	**6,453,227.94**	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**	**127,742.08**	367,151.38	95,104.18
	Jilin Province Heating Group Co., Ltd* (吉林省熱力集團有限公司)	**22,545,511.05**	**2,975,683.47**	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)	**99,523.00**	**4,976.15**	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)	**2,145,451.35**	**467,106.34**	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					
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	**198,401.09**		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	**306,290,161.69**			
	Changchun Thermal Pipeline Construction and Operation Co., Ltd.*(長春市熱力管網建設經營有限公司)	**135,000.00**	**13,500.00**	—	
Contract assets					
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	**2,185,259.08**	**426,001.39**	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)	**687,256.11**	**89,838.87**	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**	**3,524.02**	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	5,011.61

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(V) Amounts due from/to related party (Continued)

2. Amounts due to related parties

Item	Related party	Closing Carrying balance	Closing Carrying balance of previous year
Trade payables			
	Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限責任公司)	**5,997,996.98**	22,856,716.09
	Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司)	**2,778,704.20**	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			
	Jilin Province Changre Properties Co., Ltd.* (吉林省長熱物業有限公司)		
	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
Contract liabilities			
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)		
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)	**3,906,914.38**	5,831,964.67
	Jilin Province Changre Properties Co., Ltd.* (吉林省長熱物業有限公司)	**682,278.76**	
Lease liabilities			
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	**2,088,847.44**	6,446,177.14
	Jilin Province Changre Properties Co., Ltd.* (吉林省長熱物業有限公司)	**389,100.32**	

XIII. SHARE-BASED PAYMENT

Nil.

XIV. COMMITMENT AND CONTINGENCY

(I) Significant Commitment

The Company has no significant commitments which shall be disclosed as of 31 December 2025.

(II) Contingency

1. Material Contingencies as at the Balance Sheet Date
As at 31 December 2025, the Company had no material contingencies that are required to be disclosed.

XV. EVENTS AFTER BALANCE SHEET DATE

(I) Particulars of Profit Distribution

The Company passed a Board resolution on 27 March 2026 to make a distribution of dividend amounting to RMB0.030 per share (tax inclusive) to shareholders for the year ended 31 December 2025, subject to approval by shareholders at the forthcoming AGM. No liability was recognised at the end of the Reporting Period for the dividend proposed after the end of the Reporting Period.

XVI. OTHER SIGNIFICANT MATTERS

(I) Segment Information

1. Basis of determining reportable segments and the accounting policies
The Company determined operating segments based on the internal organizational structure, management requirements and internal reporting system. Each of the Company's reportable segments is a component that meets all the following criteria:

(1) The component generates income and incur expenses in daily activities;

(2) The management can evaluate the operating results of the component regularly to determine the allocation of resources thereto and evaluate its performance;

(3) The relevant accounting information such as the financial status, operating results and cashflow of the component can be available.

The Company determines the reportable segment based on the operating segment. The operating segment that meets either of the following conditions is determined as a reportable segment:

(1) Revenue from the operating segment accounts for 10% or above of the total segment revenue;

(2) The net profits (losses) from the segment shall account for 10% or above of the greater of the total net profits of all profitable segments and the total net losses of all loss-making segments.

XVI. OTHER SIGNIFICANT MATTERS (Continued)

(I) Segment Information (Continued)

1. Basis of determining reportable segments and the accounting policies (Continued)

If the total revenue from the external transactions of the operating segments under the reportable segment determined in accordance with the above accounting policies does not reach 75% of the consolidated total revenue, the number of reportable segments shall be increased, to this end, other non-reportable operating segments will be included into the reportable segment according to the following standards until such proportion reaches 75%:

(1) Identify the operating segment for which management believes that disclosure of the operating segment information is useful for users of accounting information as the reportable segment;

(2) Consolidate the operating segment with one or more other operating segments with similar economic characteristics that meet the operating segment consolidation conditions as one reportable segment.

Inter-segment transfer prices are determined on the basis of actual transaction prices, and the assets and relevant expenses shared by each segment are allocated between segments in proportion to its revenue.

2. Factors considered by the Company while determining the reportable segment, the products and services classification of the reportable segment

The reportable segments of the Company are business units providing different products and services. Since different businesses require different technologies and market strategies, the Company manages the production and operation activities of the reportable segment separately, and evaluates its operating results individually so as to allocate resources to them and evaluate their performance.

The Company has two reportable segments, namely the heat supply segment and the construction, maintenance and design services segment. The heat supply segment is responsible for providing heat and pipe network transmission services; while the construction, maintenance and design services segment is responsible for providing engineering construction, maintenance and design services.

XVI. EVENTS AFTER BALANCE SHEET DATE (Continued)

(I) Particulars of Profit Distribution (Continued)

3. Financial information of the reportable segments

	31 December 2025/January to December 2025			
Item	**Heat supply segment**	**Construction, maintenance and design services segment**	**Write-off**	**Total**
1. TOTAL OPERATING INCOME	**1,677,346,266.70**	**163,437,378.65**	**−136,033,002.78**	**1,704,750,642.57**
Of which: Income from transactions with external customers	**1,664,747,900.33**	**40,002,742.24**		**1,704,750,642.57**
Income from inter-segment transactions	**12,598,366.37**	**123,434,636.41**	**−136,033,002.78**	
2. OPERATING COSTS	**1,488,940,189.72**	**120,695,466.11**	**−129,875,833.22**	**1,479,759,822.61**
3. INVESTMENT INCOME FROM ASSOCIATES AND JOINT VENTURES				
4. CREDIT IMPAIRMENT LOSS	**−7,620,759.81**	**−28,569,564.56**		**−36,190,324.37**
5. IMPAIRMENT LOSS ON ASSETS	**−4,003,253.02**	**27,711,454.03**		**23,708,201.01**
6. TOTAL ASSETS	**4,417,823,874.14**	**501,970,616.62**	**−1,425,870,204.17**	**3,493,924,286.59**
7. TOTAL LIABILITIES	**3,050,628,270.51**	**231,352,428.63**	**−884,581,657.03**	**2,397,399,042.11**
8. OTHER IMPORTANT NON-CASH ITEMS				

	31 December 2024/January to December 2024			
Item	Heat supply segment	Heat supply segment	Heat supply segment	Heat supply segment
1. TOTAL OPERATING INCOME	1,621,633,563.59	288,068,570.10	−104,001,969.78	1,805,700,163.91
Of which: Income from transactions with external customers	1,615,314,894.83	190,385,269.08		1,805,700,163.91
Income from inter-segment transactions	6,318,668.76	97,683,301.02	−104,001,969.78	
2. OPERATING COSTS	1,396,420,749.62	246,886,388.80	−94,761,986.95	1,548,545,151.47
3. INVESTMENT INCOME FROM ASSOCIATES AND JOINT VENTURES				
4. CREDIT IMPAIRMENT LOSS	−15,062,678.18	−5,855,606.35		−20,918,284.53
5. IMPAIRMENT LOSS ON ASSETS	−10,386,386.06	18,284,295.79		7,897,909.73
6. TOTAL ASSETS	4,671,455,365.25	477,301,163.67	−1,402,920,449.26	3,745,836,079.66
7. TOTAL LIABILITIES	3,312,986,981.16	255,428,183.39	−865,738,896.98	2,702,676,267.57
8. OTHER IMPORTANT NON-CASH ITEMS				

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Trade Receivables

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

Ageing	Closing balance	Closing balance of previous year
Within 1 year (including 1 year)	**20,744,153.62**	68,411,880.16
1 to 2 years	**25,677,024.26**	14,891,342.10
2 to 3 years	**9,813,404.72**	11,545,582.49
3 to 4 years	**10,675,242.88**	4,795,076.05
4 to 5 years	**4,224,232.43**	4,918,322.91
Over 5 years	**6,090,553.02**	1,696,786.66
Sub-total	**77,224,610.93**	106,258,990.37
Less: provision for bad debts	**15,238,554.01**	9,732,890.18
Total	**61,986,056.92**	96,526,100.19

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

	Closing balance					Closing balance of previous year				
	Carrying balance		Provision for bad debts			Carrying balance		Provision for bad debts		
Category	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 on a portfolio basis for credit risk characteristics	**77,224,610.93**	**100.00**	**15,238,554.01**	**19.73**	**61,986,056.92**	106,258,990.37	100.00	9,732,890.18	9.16	96,526,100.19
Of which:										
Ageing portfolio — Heat supply business	**41,647,363.64**	**53.93**	**8,954,306.40**	**21.50**	**32,693,057.24**	68,595,465.94	64.55	6,537,240.53	9.53	62,058,225.41
Ageing portfolio — Basic heating fee	**24,979,558.81**	**32.35**	**5,789,494.01**	**23.18**	**19,190,064.80**	27,095,572.96	25.50	3,095,709.42	11.43	23,999,863.54
Related party portfolio	**10,597,688.48**	**13.72**	**494,753.60**	**4.67**	**10,102,934.88**	10,567,951.47	9.95	99,940.23	0.95	10,468,011.24
Total	**77,224,610.93**	**100.00**	**15,238,554.01**	**19.73**	**61,986,056.92**	106,258,990.37	100.00	9,732,890.18	9.16	96,526,100.19

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(I) Trade Receivables (Continued)

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

Provision for bad debts on a portfolio basis for credit risk characteristics:

(1) *Ageing portfolio — Heat supply business*

	Closing balance		
Name	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	17,079,269.66	853,963.49	5.00
1 to 2 years	16,954,155.84	3,390,831.17	20.00
2 to 3 years	3,749,880.91	1,124,964.27	30.00
3 to 4 years	194,752.18	77,900.87	40.00
4 to 5 years	325,316.91	162,658.46	50.00
Over 5 years	3,343,988.14	3,343,988.14	100.00
Total	41,647,363.64	8,954,306.40	21.50

(2) *Ageing portfolio — Basic heating fee*

	Closing balance		
Name	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	3,635,146.96	181,757.35	5.00
1 to 2 years	6,249,100.42	624,910.04	10.00
2 to 3 years	6,063,523.81	1,212,704.76	20.00
3 to 4 years	4,731,725.71	1,419,517.71	30.00
4 to 5 years	3,898,915.52	1,949,457.76	50.00
Over 5 years	401,146.39	401,146.39	100.00
Total	24,979,558.81	5,789,494.01	23.18

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(I) Trade Receivables (Continued)

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

Item	Closing balance of previous year	Movement during the current period				Closing balance
		Provision	Recovered or reversed	Charge-off or write-off	Other changes	
Ageing portfolio — Heat supply business	6,537,240.53	5,321,396.32	2,904,330.45			8,954,306.40
Ageing portfolio — Basic Heating fee	3,095,709.42	3,316,150.24	622,365.65			5,789,494.01
Related party portfolio	99,940.23	394,813.37				494,753.60
Total	9,732,890.18	9,032,359.93	3,526,696.10			15,238,554.01

(II) Other receivables

Item	Closing balance	Closing balance of previous year
Accrued interest receivable	**6,290,161.69**	
Other receivables	**181,853,601.47**	198,247,101.59
Total	**188,143,763.16**	198,247,101.59

1. Other receivables

(1) Disclosure based on ageing

Ageing	Closing balance	Closing balance of previous year
Within 1 year (including 1 year)	**34,009,618.76**	196,467,132.42
1 to 2 years	**148,391,606.16**	3,125,308.73
2 to 3 years	**3,124,968.03**	5,000,000.00
3 to 4 years	**5,000,000.00**	7,197,000.00
4 to 5 years	**7,197,000.00**	50,000.00
Over 5 years	**88,217.92**	2,184,845.06
Sub-total	**197,811,410.87**	214,024,286.21
Less: Provision for bad debts	**15,957,809.40**	15,777,184.62
Total	**181,853,601.47**	198,247,101.59

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Other receivables (Continued)

1. Other receivables (Continued)

(2) Segment disclosure based on provision for bad debts

	Closing balance					Closing balance of previous year				
	Carrying balance		Provision for bad debts			Carrying balance		Provision for bad debts		
Category	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount	Amount	Proportion (%)	Amount	Proportion of provision (%)	Carrying amount
Provision for bad debts on an individual basis	**139,587,000.00**	**70.57**	**13,958,700.00**	**10.00**	**125,628,300.00**					
Provision for bad debts on a portfolio basis for credit risk characteristics	**58,224,410.87**	**29.43**	**1,999,109.40**	**3.43**	**56,225,301.47**	214,024,286.21	100.00	15,777,184.62	7.37	198,247,101.59
Of which:										
Aging portfolios	**10,200,659.13**	**5.16**	**1,999,109.40**	**19.60**	**8,201,549.73**	148,363,544.07	69.32	15,777,184.62	10.63	132,586,359.45
Related party portfolio	**48,023,751.74**	**24.28**			**48,023,751.74**	65,660,742.14	30.68			65,660,742.14
Total	**197,811,410.87**	**100.00**	**15,957,809.40**	**8.07**	**181,853,601.47**	214,024,286.21	100.00	15,777,184.62	7.37	198,247,101.59

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Other receivables (Continued)

1. Other receivables (Continued)

(2) Segment disclosure based on provision for bad debts (Continued)

Other significant receivables with provision for bad debts made on individual basis:

Name	Closing balance Provision for bad debts	Provision for bad debts	Proportion of provision (%)	Basis for Provision
Changchun Urban Pipeline Construction Investment (Group) Co., Ltd.* (長春城市管線建設投資(集團)有限公司)	139,587,000.00	13,958,700.00	10.00	For loans to related parties under the system of the State-owned Assets Supervision and Administration Commission of Changchun City, the expected credit risk is relatively low
Total	139,587,000.00	13,958,700.00		

Provision for bad debts on a portfolio basis for credit risk characteristics:

Items provided on a portfolio basis:

Name	Closing balance Other receivables	Provision for bad debts	Proportion of provision (%)
Aging portfolios	10,200,659.13	1,999,109.40	19.60
Related party portfolio	48,023,751.74		
Total	58,224,410.87	1,999,109.40	3.43

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Other receivables (Continued)

1. Other receivables (Continued)

(3) Particulars of provision for bad debts

Provision for bad debts	Stage one Future 12-months ECL	Stage two Lifetime ECL (not credit impaired)	Stage three Lifetime ECL (credit impaired)	Total
Closing balance of previous year	15,777,184.62			15,777,184.62
Closing balance of previous year during the current period				
— transferred to stage two				
— transferred to stage three				
— reversed to stage two				
— reversed to stage one				
Provision in the current period	180,624.78			180,624.78
Reversal in the current period				
Charge-off in the current period				
Written-off in the current period				
Other changes				
Closing balance	15,957,809.40			15,957,809.40

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

Category	Closing balance of previous year	Amount of change during the current period				Closing balance
		Provision	Recovered or reversed	Charge-off or written-off	Other changes	
Ageing portfolio	15,777,184.62	180,624.78				15,957,809.40
Total	15,777,184.62	180,624.78				15,957,809.40

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(II) Other receivables (Continued)

1. Other receivables (Continued)

(5) Classification by nature of the receivables

Nature of the amount	Closing balance	Closing balance of previous year
Petty money	**113,526.65**	113,526.65
Current account payment	**196,556,607.90**	203,660,742.14
Others	**1,141,276.32**	10,250,017.42
Total	**197,811,410.87**	214,024,286.21

(III) Long-term Equity Investments

	Closing balance			Closing balance of previous year		
Item	Closing balance	Impairment provision	Carrying amount	Closing balance	Impairment provision	Carrying amount
Investments in subsidiaries	585,309,527.07		585,309,527.07	585,309,527.07		585,309,527.07
Investments in associates and joint ventures						
Total	585,309,527.07		585,309,527.07	585,309,527.07		585,309,527.07

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(III) Long-term Equity Investments (Continued)

1. Investments in subsidiaries

Investee	Closing balance of previous year	Closing balance of impairment provision of previous year	Changes during the current period: Additional investment	Changes during the current period: Reducing investment	Changes during the current period: Impairment provision during the current period	Changes during the current period: Others	Closing balance of impairment provision
Changchun Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限責任公司)	44,539,689.70						44,539,689.70
Jilin Province Chuncheng Heating Pipelines Operation and Maintenance Co., Ltd.* (吉林省春城熱力管網運維有限公司)	16,059,516.45						16,059,516.45
Jilin Province Changre Pipelines Transmission Company Limited* (吉林省長熱管網輸送有限公司)	59,097,018.99						59,097,018.99
Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱電氣儀錶有限公司)	4,022,639.18						4,022,639.18
Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司)	20,000,000.00						20,000,000.00
Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司)	5,813,249.71						5,813,249.71
Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司)	108,357,816.86						108,357,816.86
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)	283,919,596.18						283,919,596.18
Jilin Province Northeast Heating Co., Ltd.* (吉林省東北供熱有限公司)							
Jilin Chuncheng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司)	43,500,000.00						43,500,000.00
Total	585,309,527.07						585,309,527.07

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(IV) Operating Income and Operating Costs

1. Operating income and operating costs

Item	Current period		Previous period	
	Income	Cost	Income	Cost
Principal business	**1,092,018,082.19**	**964,807,997.33**	1,046,778,474.07	887,415,364.33
Other businesses	**5,080,386.46**	**2,608,117.16**	11,729,883.41	9,611,860.16
Total	**1,097,098,468.65**	**967,416,114.49**	1,058,508,357.48	897,027,224.49

2. Breakdown of operating income and operating costs

Particulars of income from contract with customers during the current period:

Contract category	Incurred during the current period		
	Heat supply business	Construction, maintenance and design services	Total
1. By commodity	**1,092,018,082.19**	**5,080,386.46**	**1,097,098,468.65**
Heat supply	**1,013,704,253.78**		**1,013,704,253.78**
Pipeline connection fee	**60,466,909.79**		**60,466,909.79**
Heat transmission	**17,846,918.62**		**17,846,918.62**
Others		**5,080,386.46**	**5,080,386.46**
2. By business area	**1,092,018,082.19**	**5,080,386.46**	**1,097,098,468.65**
Northeast region	**1,092,018,082.19**	**5,080,386.46**	**1,097,098,468.65**
Others			**—**
3. By market or customer	**1,092,018,082.19**	**5,080,386.46**	**1,097,098,468.65**
Corporate	**411,127,665.89**	**5,080,386.46**	**416,208,052.35**
Residential	**680,890,416.30**		**680,890,416.30**
4. By contract	**1,092,018,082.19**	**5,080,386.46**	**1,097,098,468.65**
Sales	**1,074,171,163.57**	**32,665.09**	**1,074,203,828.66**
Service	**17,846,918.62**	**5,047,721.37**	**22,894,639.99**
5. By the time of commodity transfer	**1,092,018,082.19**	**5,080,386.46**	**1,097,098,468.65**
At a point in time		**32,665.09**	**32,665.09**
Over a period of time	**1,092,018,082.19**	**5,047,721.37**	**1,097,065,803.56**
6. By contract term	**1,092,018,082.19**	**5,080,386.46**	**1,097,098,468.65**
Within 1 year	**1,031,551,172.40**	**299,255.31**	**1,031,850,427.71**
Over 1 year	**60,466,909.79**	**4,781,131.15**	**65,248,040.94**
7. By sales channel	**1,092,018,082.19**	**5,080,386.46**	**1,097,098,468.65**
Centralized heating	**1,092,018,082.19**		**1,092,018,082.19**
Others		**5,080,386.46**	**5,080,386.46**
Total	**1,092,018,082.19**	**5,080,386.46**	**1,097,098,468.65**

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(IV) Operating Income and Operating Costs (Continued)

2. Breakdown of operating income and operating costs (Continued)

Particulars of income from contract with customers during the current period: (Continued)

Contract category	Incurred during the previous period Heat supply business	Construction, maintenance and design services	Total
1. By commodity	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Heat supply	970,169,622.36		970,169,622.36
Pipeline connection fee	58,270,134.97		58,270,134.97
Heat transmission	18,338,716.74		18,338,716.74
Other		11,729,883.41	11,729,883.41
2. By business area	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Northeast region	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Other			
3. By market or customer	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Corporate	391,985,750.02	11,729,883.41	403,715,633.43
Residential	654,792,724.05		654,792,724.05
4. By contract	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Sales	1,028,439,757.33	7,210,165.78	1,035,649,923.11
Service	18,338,716.74	4,519,717.63	22,858,434.37
5. By the time of commodity transfer	1,046,778,474.07	11,729,883.41	1,058,508,357.48
At a point in time		7,210,165.78	7,210,165.78
Over a period of time	1,046,778,474.07	4,519,717.63	1,051,298,191.70
6. By contract term	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Within 1 year	988,508,339.10	7,210,165.78	995,718,504.88
Over 1 year	58,270,134.97	4,519,717.63	62,789,852.60
7. By sales channel	1,046,778,474.07	11,729,883.41	1,058,508,357.48
Centralized heating	1,046,778,474.07		1,046,778,474.07
Other		11,729,883.41	11,729,883.41
Total	1,046,778,474.07	11,729,883.41	1,058,508,357.48

XVII. REMARKS TO THE MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

(V) Investment Income

0Item	Current period	Previous period
Interest income earned during the holding period of debt investments	16,287,631.26	
Total	16,287,631.26	

Jilin Province Chuncheng Heating Company Limited
27 March 2026

DEFINITIONS

"AGM"	the annual general meeting of the Company for the year 2025 to be held on Friday, 15 May 2026 or any adjournment thereof
"Articles" or " Articles of Association"	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
"ASBE"	the Accounting Standards for Business Enterprises — Basic Standards (《企業會計準則—基本準則》) issued by the Ministry of Finance and the specific accounting standards for business enterprises, the application guidance for the ASBEs, the interpretation of ASBEs and other relevant requirements
"Board"	the board of Directors of the Company
"Changre Group"	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the controlling Shareholder of the Company, and a state-owned company (wholly-owned by the Changchun SASAC) established in the PRC on 28 April 1998 which held approximately 69.75% of the total share capital of the Company as at the Latest Practicable Date
"China" or "PRC"	the People's Republic of China which, for the purposes of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chuncheng Biomass"	Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司), a wholly-owned subsidiary of the Company
"Company" or " We"	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司) (stock code: 1853), a company incorporated in the PRC on 23 October 2017 and is a joint stock limited liability company
"Controlling Shareholder Group"	Changre Group and its subsidiaries (other than the Group)
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report contained in Appendix C1 to the Listing Rules
"Datang JV"	Datang Changre Jilin Heating Company Limited* (大唐長熱吉林熱力有限公司), a joint venture company established in the PRC on 23 March 2017 and is owned by Changre Group and Datang Jilin Power Generation Co., Ltd.* (大唐吉林發電有限公司) as to 35% and 65%, respectively. It is an associate of Changre Group and a connected person of the Company
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	domestic ordinary share(s) in the Company's registered capital with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and held by PRC nationals or PRC incorporated entities, and are not listed or traded on any stock exchange
"Group"	the Company and its subsidiaries

"H Share(s)"	the issued ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
"heat service area"	gross floor areas covered by heat supply, including both the heat service area which we fully or partially charge for our heat fees
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Listing"	the listing of the H Shares of the Company on the Main Board of the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
"Reporting Period"	the period from 1 January 2025 to 31 December 2025
"RMB"	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
"Xixing Energy"	Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司), previously known as Changchun FAW Sihuan Kinetic Company Limited* (長春一汽四環動能有限公司), a wholly-owned subsidiary of the Company
"Yatai Heating"	Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司), a wholly-owned subsidiary of the Company
"%"	percent
"*"	for identification purpose only

CORPORATE INFORMATION

CORPORATE INFORMATION

Name in Chinese:	吉林省春城熱力股份有限公司
Name in English:	Jilin Province Chuncheng Heating Company Limited*
Registered Address:	Block 28, Area B, Nanhu Road Community, 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, PRC
Headquarter/ Principal Place of Business:	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 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. SHI Mingjun *(resigned on 28 March 2025)*
Mr. LI Yeji *(resigned on 16 April 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)*

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
Ms. LEUNG Hoi Yan *(appointed with effect from 23 September 2025)*
Mr. LEE Chung Shing *(resigned on 23 September 2025)*

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
(Recognized Public Interest Entity Auditor)
4F, No.61, East Nanjing Road,
Huangpu District, Shanghai

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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)