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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2025

* For identification purpose only

CONTENTS

THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As at 31 December 2025

I. INTRODUCTION AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

About the Report

The Environmental, Social and Governance Report (the "Report") summarises the initiatives, plans and performance of Jilin Province Chuncheng Heating Company Limited (the "Company" or "We"), together with subsidiaries, (the "Group") in the environmental, social and governance ("ESG") aspects, and illustrates the sustainability of its business activities in terms of ESG.

The Group adheres to the management policies of sustainable ESG development and is committed to handling the Group's ESG matters effectively and responsibly, which we believe are of great significance for our business and operation.

The ESG Governance Structure

The Group monitors developments and trends in areas of sustainability and sustainability reporting to better meet the expectations of our stakeholders in light of evolving business and regulatory requirements. Through the Board of Directors' specific responsibility, they review the effectiveness of the Group's sustainability initiatives and the work of the ESG Taskforce.

Responsibilities of the Board

- To assess and confirm that this Report has been prepared based on the scope of ESG issues and the materiality of relevant topics;
- To regularly review ESG-related policies and measures, with a focus on monitoring sustainability performance;
- To endeavour to assess, identify and manage sustainability-related risks; and
- To strictly comply with regulatory requirements, relevant latest regulations and industry practices, while identifying potential opportunities.

Responsibilities of the ESG Working Group

- To collect relevant ESG-related policies and information of the Group for the preparation of this Report;
- To review and assess the Group's sustainability performance in various aspects within the scope of this Report, including environmental management, occupational safety, labour standards and product responsibility; and
- To report to the Board on a regular basis and assist in identifying and assessing risks as well as evaluating the effectiveness of internal control mechanisms.

Internal Control and Risk Management

The Group recognises the importance of internal control and risk management. A structured internal control and risk management system is closely linked to the sustainable development of the enterprise. Therefore, the Board continuously monitors the internal control system, risk assessment and risk management mechanisms in order to identify factors that may adversely affect the Group's business operations. Such factors include risks relating to operations, finance, compliance, social and environmental aspects. Once such risks are identified, the Group will implement appropriate measures to address them.

In addition, the Audit Committee of the Company conducts an annual review of the internal control and risk management systems to ensure that effective monitoring mechanisms are maintained and that improvement measures are adopted where necessary. The Group's sustainability policy is also expected to be complemented by the continuous monitoring and enhancement of the internal control and risk management systems, thereby further supporting the Group in achieving its sustainability objectives.

Reporting Principles

The Report has been prepared in compliance with all applicable provisions set out in the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix C2 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group has complied with the "comply or explain" provisions set out in the ESG Reporting Guide in 2025. The Report is divided into two parts, namely, environmental and social. The four basis of reporting principles are materiality, quantitative, balance and consistency:

- Materiality: Materiality assessment was conducted and reviewed from time to time to assess the relative importance of the ESG topics identified. Topics that are relevant and important to the operations of the Group and various stakeholders must be covered in the Report;

- Quantitative: If the key performance indicators ("KPIs") have been established, they must be measurable and applicable to valid comparisons under appropriate conditions;

- Balance: This Report covers both positive and negative impacts of our performance to provide an unbiased picture of our overall performance; and

- Consistency: ESG data presented in the Report are prepared using consistent methodologies over time unless otherwise specified either in text or footnote.

Reporting Period

The Report elaborates on the Group's ESG events, challenges and measures during the year from 1 January 2025 to 31 December 2025 (the "Reporting Period").

Reporting Scope

During the Reporting Period, the Group's focused areas and its main businesses were as below:

(1) Heat supply, the Group's core business (the "Heat Supply")- the Company and its subsidiaries (Jilin Province Xixing Energy Limited ("Xixing Energy"), Changchun Yatai Heating Co., Ltd. ("Yatai Heating") and Jilin Province Chuncheng Biomass Power Co., Ltd. ("Chuncheng Biomass")； and

(2) Construction, maintenance and design services (the "Construction, Maintenance and Design Services")- the Group relies on the heat supply industry chain to provide integrated services including (i) engineering construction, (ii) engineering maintenance, (iii) design services and others.

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The year 2025 was a key year for deeply implementing the objectives of the "15th Five-Year Plan." In a market environment full of both challenges and opportunities, the Group adhered to the directions of intelligence, greenness, and integration, guided by technological innovation and supported by modern services. It continuously optimized heating services and improved operational efficiency, achieving steady growth while fulfilling social responsibilities, thereby strengthening core competitiveness and sustainable development capabilities, and successfully completing its main annual objectives. In August 2025, the Group was honoured with the "2025 Benchmark Heating Station Award for Comprehensive Energy Efficiency Statistics in China's Heating Industry" presented by the China District Heating Association. The Group understands that effective sustainable development practices are crucial for achieving excellent business results and maintaining long-term competitiveness. It fully implements the new development philosophy of "innovation, coordination, green, openness, and sharing," focusing on enhancing sustainability as the core of ESG management. Through improving corporate governance, innovating social responsibility practices, and contributing to society, the Group ensures that ESG is truly integrated into its daily operations and business activities.

This Report follows the ESG Reporting Guide with a complete index in compliance is available at the end of this Report for reference. Except for provisions that the Group considers are inapplicable to its operations, for which explanations have been given on the rightmost column in the said index, this Report has complied with all the "comply or explain" provisions set out in the ESG Reporting Guide. This year's Report is further enhanced, with a wider range of key performance indicators ("KPIs"). In line with these standards, key stakeholders, including operation departments, management and independent third parties, were engaged in the material assessment and identification of the relevant and important environmental, social and governance policies, for incorporation in this Report.

Stakeholder Engagement

Stakeholders' participation is an indispensable process for the Group to improve its sustainable development performance continuously. Therefore, the Group values the opinions of various stakeholders on its operation and ESG matters. In order to comprehensively understand, respond to and address the major concerns of different stakeholders, the Group has maintained close communication with all these stakeholders, including but not limited to shareholders/investors, customers, contractors/suppliers, employees, the government and regulators, peers, chambers of commerce, industry associations, non-government institutions and media.

Through the diversified and effective communication channels, the expectations of stakeholders are incorporated into our operation and ESG strategies. The stakeholder engagement and communication channels are as follows:

Major Stakeholders	Communication Channel	Major Concern
Employees	Regular performance appraisals Supervisor and talent evaluation mechanism (talent pool) Channels for employees to express their opinions (such as reporting and complaint systems) The trade union and department meetings Internal trainings	Employment and labour practices Development and training Labour standards Health and safety
Investors/Shareholders	Annual general meeting Annual reports and interim reports, announcements and circulars Investor meetings	Corporate governance Risk management Compliance with regulatory requirements
Customers	Various feedback channels (e.g., phone, website, etc.) WeChat account management On-site visits	Quality assurance and facility maintenance Update heating information and problem solving
Business partners/Suppliers	Supplier management meetings and events Internal audit to Supplier	Compliance with regulatory requirements Supply chain management
The government and regulators	Annual reports and interim reports, announcements and circulars Organise meetings on relevant topics On-site visits and inspections	Compliance with regulatory requirements Improving corporate transparency
Associations, non- government institutions and media	Voluntary activities Group activities ESG reports	Environmental protection Community investment

Materiality Assessment

The management and employees who perform major functions in the Group have all participated in preparing the Report to assist the Group in reviewing its operation, identifying relevant ESG matters, and assessing the importance of such relevant matters to our business and stakeholders. Information was collected from relevant departments and business units of the Group based on the major ESG matters that had been assessed.

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The materiality assessment process of ESG aspects includes: (1) identification of ESG reporting issues; (2) importance to the corporation under industry standard; (3) key ESG area prioritization with stakeholder engagement; and (4) evaluation and endorsement by the management. Based on the results of communication among stakeholders and the management as below:

Topic	Materiality	Influence	Description
Employment and Labour Standards	High	High	Employees are regarded as valuable assets and the cornerstone of the Group's success. The Group fully protects and respects employees' rights, strives to create a favourable working environment, and strictly prohibits child exploitation and violations of labor rights.
Health and Safety	High	High	Occupational safety is a key consideration in business operations. The Group is committed to minimising potential occupational health and safety risks in its operations.
Environmental Emissions	High	High	The Group actively responds to global climate initiatives and strives to reduce its carbon footprint. Annual environmental audits are conducted to assess the effectiveness of environmental measures, and all applicable local environmental laws and regulations are strictly complied with.
Supply Chain Management	Medium	Medium	The Group maintains long-term, stable relationships with its suppliers and works collaboratively to manage ESG risks across the supply chain.
Environment and Natural Resources	High	High	The use of natural resources, such as paper, during operations has been identified as having a significant environmental impact. The Group actively promotes sustainable environmental practices.
Resource Use	Medium	High	Key energy required for business operations include electricity, coal and fuel. The Group has strengthened its efforts in resource management.
Development and Training	Medium	Medium	The Group provides employees with career development and training programs to maintain workforce competency and support the Group's sustainable development.

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Topic	Materiality	Influence	Description
Product Responsibility	High	High	As a leading enterprise in the heating industry, the Group maintains strong communication with customers to understand and meet their needs and expectations, thereby enhancing service quality over the long term. The Group also strengthens product responsibility management to ensure products meet safety, quality, and sustainability requirements.
Intellectual Property Protection	Medium	Medium	To safeguard consumer rights and promote healthy industry development, the Group mitigates intellectual property risks and strengthens IP protection.
Anti-Corruption	High	High	The Group is committed to ensuring that business processes comply with applicable local and national laws and regulations on anti-bribery, extortion, fraud and anti-money laundering.
Climate Change	High	High	The Group recognises the direct and indirect impacts of climate change on business operations. Through intelligent heating solutions and revisions to construction, maintenance, and design standards, the Group develops risk management measures and response plans to strengthen effective climate risk management.
Community Investment	High	High	Committed to being an active member of the community, the Group encourages employees to contribute positively to the sustainable development of local communities.

The Group is committed to regularly reviewing relevant issues in order to continuously improve its sustainability performance.

During the Reporting Period, the Group has confirmed that appropriate and effective management policies and monitoring systems have been established for environmental, social, and governance (ESG) matters. The Group also confirms that the disclosures comply with the reporting guidelines, as set out in the "Corporate Governance Report" section.

Contacting the Group

The Group welcomes feedback and suggestions from stakeholders. You are invited to provide valuable comments on this ESG Report or on the Group's sustainability performance via the following contact: ccrl-zqb@ccrljt.com

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II. ENVIRONMENTAL

Key Areas and Focus

The Group places great importance on environmental management within its operations. Guided by the Board of Directors and committed to fulfilling the responsibilities of a state-owned enterprise, the Group actively supports the Changchun Municipal Government in promoting the integration of the heating industry. It also advances clean transformation initiatives and the development of smart heating systems, striving to become an outstanding leader in the industry.

As of the of the Reporting Period, the Group's total heating service area was approximately 72.78 million square metres (2024: 69.76 million square metres), representing an increase of 4.3%. The Group provided heating services to more than 598,000 heat users in Changchun. The Group adopts advanced technologies to formulate scientific environmental protection measures in its operational processes, actively fulfilling its social responsibility to protect the environment and striving to safeguard the environment while building a sustainable future for the next generation. To monitor environmental management and minimise the impacts arising from its business operations, the Group has established relevant environmental protection management policies, complies with applicable laws and regulations, and enhances employees' environmental awareness.

The Group's principal business is heating supply, which must comply with national laws and regulations, including but not limited to the Changchun Urban Heating Management Regulations, the Production Safety Law of the People's Republic of China, the Noise Pollution Prevention and Control Law of the People's Republic of China, and the Clean Production Promotion Law of the People's Republic of China. These laws, regulations, and rules generally determine the legal provisions, technical standards, and implementation details for health, safety, and environmental measures.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws, regulations, and rules relating to environmental protection.

1. Emissions

General Disclosure and Key Performance Indicators ("KPIs")

During the Reporting Period, the Group's operations mainly involved emissions from coal, petrol, diesel, electricity, thermal energy, paper consumption, and air travel. As a result, nitrogen oxides (NO_x), sulphur oxides (SO_x), particulate matter (PM), and carbon dioxide (CO_2) were inevitably emitted into the atmosphere. The Group's operations do not involve the use of packaging materials subject to national laws and regulations, nor do they result in water or land pollution. The Group is committed to continuously enhancing the environmental sustainability of its operations and ensuring that environmental considerations remain a key focus in fulfilling its environmental and social responsibilities. Recognising the potential environmental impacts of its operations, the Group has implemented relevant emission reduction and energy-saving measures to manage emissions and minimise the environmental impact arising from its operations.

The Group strictly complies with environmental protection laws and regulations applicable to its business operations. The Group's legal team works closely with the business departments to assess the implications of environmental laws and regulations that have been promulgated, including the "Environmental Protection Law of the People's Republic of China", the "Jilin Province Air Pollution Prevention and Control Regulations", the "Water Pollution Prevention and Control Law of the People's Republic of China", the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste", and the "National Emergency Response Plan for Environmental Incidents".

During the Reporting Period, the Group complied with relevant laws and regulations relating to air and greenhouse gas (GHG) emissions, discharges into water and land, as well as the generation of hazardous and non-hazardous waste. The Group did not violate any environmental laws or regulations in the regions where it operates, nor was it subject to any material fines, non-monetary penalties, or litigation related to environmental protection.

1.1 KPIs for Emissions Management

Types of Emissions and Related Emission Data

The Group's principal business is heating supply. During the Reporting Period, in addition to primarily procuring Combined Heat and Power (CHP) heat sources from local thermal power plants, the Group also purchased peak-shaving boiler heat sources from its controlling shareholder, Changre Group, to meet the demand arising from the expansion of its heating service area. The Group has adopted an intelligent heating network system that facilitates real-time operational monitoring, remote equipment control, automatic output adjustment and troubleshooting, as well as the collection and analysis of operational data. The Group has also enhanced its engineering construction, maintenance, and design service capabilities, and actively promoted the upgrading of ageing heating pipeline networks. The Group has improved its engineering, maintenance, and design services, actively promoted the renovation of aging heating pipelines, established a smart heating network inspection and analysis management platform, and adopted heating models guided by energy conservation, environmental protection, and greenhouse gas reduction. Using drone-based pipeline inspection technology with infrared thermal imaging, the Group can intelligently identify and preliminarily assess pipeline leaks, improving the accuracy of leak detection.

In addition, since Chuncheng Heating, Yatai Heating, and Xixing Energy partially use coal-fired boilers to provide heat, dust removal, desulfurization, and denitrification facilities have been installed. In accordance with the internal guideline "Environmental Management Measures," these facilities are properly managed, maintained, and serviced, with operational records kept.

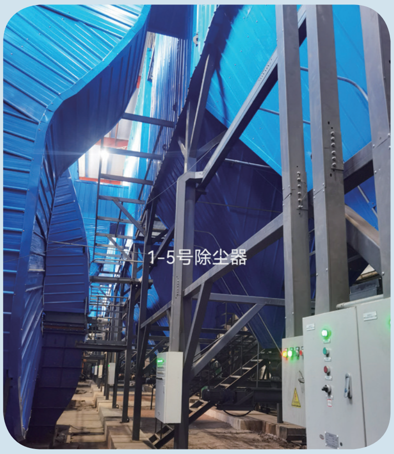
The management of boiler exhaust emissions is as follows:

- The boiler team is operated by certified boiler operators responsible for managing the combustion process and maintaining fuel statistics and management records to ensure proper equipment usage;
- The "duty records of the boiler heating station" is maintained regularly to facilitate effective monitoring of boiler operations;
- During operations, the "boiler heating station duty records" and the "inspection records" are documented to monitor the desulphurisation system and ensure it remains in good condition to prevent flue gas pollution;
- If any abnormality in the equipment is identified during operation, flue gas emissions must be immediately suspended. Operations may only resume after the cause has been identified and rectified;
- The boiler's flue gas goes through a baghouse filter, a desulfurization tower (limestone-gypsum method), and Selective Catalytic Reduction (SCR) denitrification facilities before entering the chimney to ensure emissions compliance; and
- If emissions exceed limits, the Changchun City Pollution Source Automatic Monitoring System (enterprise-side) will alarm the outlet and relevant personnel will promptly implement mitigation measures to ensure emissions are brought back into compliance with national standards.

Specialised dust removal and desulfurization equipment:

SCR Reactor no. 4

SCR Reactor no. 5



Dust Removal Equipment no. 1-5

Moreover, vehicles are needed to transport engineering staff to heating power stations and customer sites when providing construction, maintenance and design services. The unleaded petrol and diesel consumed cause air pollutants to be emitted. The treatment methods and emission reduction measures are as follows:

- Adopting a low-carbon travel mode with the concept of "green travel" by encouraging employees to carpool, increase the usage of bicycles and electric vehicles;
- Optimizing operating procedures for increasing the loading rate of vehicles and lowering the idle rate;
- Turning off the engine when the vehicle is not in use;
- Eliminating non-compliant vehicles in accordance with national emission policy regulations;
- Choose low-sulfur unleaded gasoline as fuel; and
- Carrying out regular maintenance and repair of vehicles to effectively reduce fuel consumption and further reduce GHG emissions and exhaust gas emissions.

The Group has formulated relevant policies and procedures to manage the effective use of resources in order to achieve higher energy efficiency and reduce unnecessary material use at corporate offices and daily operations. By adopting the following energy-saving and emission-reduction measures, the Group is actively working to minimise the impact on the environment and continue to respond to environmental issues related to global warming, pollution and environmental diversification:

- Researching and developing the latest low-carbon and energy-saving technologies into the operation in order to deploy the decarbonization efforts;
- Prioritizing the use of equipment and products of low energy consumption and high efficiency;

- Considering the use of renewable energy, whenever appropriate;
- Avoiding unnecessary business trips to reduce carbon emission generated by transportation (eq. air travel);
- Prioritizing the engagement of local suppliers to reduce energy consumption resulting from the transportation of cargoes;
- Ensuring fuel consumption efficiency and road safety by underwent regular maintenance checks with a view to keeping CO_2 emission from the vehicles at the minimum level; and
- Promoting the importance of "reducing carbon emissions" along the supply chain.

KPIs of All Emissions Management:

The Group's main sources of emissions during operations are fuel consumption from vehicles and boilers, electricity use in offices, coal and natural gas consumption, employee air travel, and paper usage. In response to national environmental policies and to enhance social and environmental responsibility, the Group has reduced diesel vehicle and coal consumption, while also strengthening energy-saving awareness, management, and supervision.

The following table shows the overall emissions for each business segment of the Group during the Reporting Period:

Air Emissions[1]

Type of emissions	Unit	2025	2024
Nitrogen Oxides (NO_x)	Tonnes	**92.46**	48.4
Sulphur Oxides (SO_x)	Tonnes	**34.32**	45.0
Particulate Matter (PM)	Tonnes	**2.02**	3.1

Note:

1. All emissions data were calculated using coefficients in Appendix C2 of the Listing Rules, relevant reference materials from the Stock Exchange, and the General Principles for Accounting and Reporting of Greenhouse Gas Emissions for Industrial Enterprises.

Waste Management

The Group adheres to principles of waste management and is committed to the proper and sound management of all waste generated during its operations. The Group's routine waste management practices comply with relevant environmental laws and regulations. In addition, the Group implements environmental education initiatives to reduce waste generation, aiming to achieve waste minimisation at the source.

During the Reporting Period, the Group's waste management practices complied with the requirements of relevant laws and regulations.

Non-Hazardous Waste

Non-hazardous waste originates from the Group's operations and daily activities at its offices. During the Reporting Period, the Group's ash and general waste increased by approximately 132.8% year-on-year, while total paper consumption decreased by about 1.3% year-on-year. The Group has effectively implemented paper management strategies. With the adoption of digital office practices across departments, routine notices and information transfers are conducted electronically, minimizing printing and copying and encouraging double-sided use of paper. The Group will continue to advise employees to separate recyclable and non-recyclable waste. Materials such as ash, discarded paper, and waste packaging boxes are classified as recyclable waste and collected regularly by waste collection vendors. Non-hazardous waste, including paper and general trash, is sorted according to recyclability and stored in designated collection areas. Assigned managers are responsible for timely waste disposal and maintaining the surrounding environment. The table below shows the total waste emissions and density performance of the Group during the Reporting Period:

Each waste discharge[2]	**Unit**	**2025**	2024
Non-hazardous waste —Paper	kgs	**13,478**	13,647
—General Waste		**—**	—
Intensity — unit per million RMB revenue	kgs	**7.9**	7.6
Ash[3]	Tonnes	**79,048**	33,952
Intensity — unit per million RMB revenue[4]	Tonnes	**46.4**	18.8

Note:

2. During the daily operations, the business segments generated an amount of hazardous waste that it is not large. Therefore, the data on hazardous waste was not included in the calculation.

3. During the Reporting Period, the company handed over all ash to the waste collector for recycling, so it is not included in other indirect GHG emissions (Scope 3).

4. During the Reporting Period, the total revenue of the Group was approximately RMB 1,704,751,000 (2024: RMB 1,805,700,000). Other intensity data in the Report are also measured using this data.

Wastewater Discharge

With respect to the wastewater management, the Group ensures all domestic sewage is discharged into the urban sewage pipe network for the proper sewage treatment. The Group advocates water conservation and reduces the generation and waste of domestic wastewater. In view of this, water conservation signs are put up in the pantries, canteens and washrooms to raise employees' awareness of resource conservation for reducing sewage generation. The Group also requires that various chemical and oil contaminants shall not be placed and dumped around the mouth of the domestic waste pipe. In addition, the Group strictly forbids the disposal of pollution sources such as chemicals, oils, solid wastes, etc. at the rainwater pipe network port and separates the rainwater pipes from other sewage ones so that the rainwater can be directly discharged and reused. During the Reporting Period, all domestic sewage by the corporate offices and operations of the Group are considered to be minimal and therefore not reaching to the necessity that requires to be disclosed.

2. Use of resources/Energy Efficiency Management

General Disclosures and KPIs

The Group upholds and promotes the principle of effective use of resources. To meet the Group's environmental commitments, various efficiency-initiatives have been implemented to minimise resources consumption.

2.1. Energy Consumption

The main types of energy consumed by the Group in its operations include coal, fuel, natural gas and electricity, with electricity being the most demanded energy source. The Group has gradually adopted the smart heating network system, which helps to improve the quality of heating, enhance operational efficiency, and save energy. Smart heating, as a product of the deep integration between the heating industry and modern information technology, leverages advanced technologies such as the Internet of Things (IoT), big data, cloud computing, and artificial intelligence to enable smart management and optimisation of heating systems. This enhances energy utilisation efficiency while reducing energy consumption and emissions.

Energy consumption control and energy saving measures include, but are not limited to:

- Closely monitor the effectiveness of technological research and development in heat production;
- Upgrade existing power line installations and add dedicated power lines to improve electricity transmission and reduce line damage;
- Optimise equipment management and improve the technique of the operation to enhance the Group's standards of energy saving and management; and
- Implement energy-saving and carbon reduction practices, such as "divide and conquer", "repair instead of replace", "trade-in".

During the Reporting Period, the Group worked to promote the use of clean energy and continue the clean heating model based on CHP, continuously enhancing heating capacity to provide winter heating services to users in the jurisdiction. To meet the increased heating load requirements, the Group not only purchased CHP heat sources from four major thermal power plants but also used peak-load boilers invested by its controlling shareholder, Changre Group, for heating purposes. In addition, Yatai Heating, Xixing Energy and the company partially used coal-fired boilers for heating, while Chuncheng Biomass utilised biomass fuel to generate heat.

Due to the increase in the Group's heating area and repair services, the use of diesel vehicles increased directly. During the Reporting Period, diesel consumption rose significantly by 18.1%, while gasoline consumption decreased by 51.9%. In addition, at the end of November 2025, the Group acquired heating-related assets, including the Dongsheng Boiler Plant and Jingyi Boiler Plant, from its controlling shareholder, resulting in a significant 94.9% increase in coal procurement. The table below sets out the Group's energy consumption data during the Reporting Period.

Types of energy	Unit	Consumption 2025	2024
Diesel	L	**22,145**	18,754
Intensity — unit per million RMB revenue	L	**13.0**	10.4
Unleaded petrol	L	**37,209**	77,363
Intensity — unit per million RMB revenue	L	**21.8**	42.8
Coal	Tonnes	**162,224**	83,220
Intensity — unit per million RMB revenue	Tonnes	**95.2**	46.1
Natural gas	m^3	**1,013,596**	793,463
Intensity — unit per million RMB revenue	m^3	**594.6**	439.4
Electricity	kWh	**80,350,463**	65,623,247
Intensity — unit per million RMB revenue	kWh	**47,133.3**	36,342.2

In addition, the Group has implemented a series of energy-saving measures, including:

- Using energy-efficient certified equipment, such as configuring computers with automatic standby or shutdown modes to reduce energy consumption;
- Indoor temperature is maintained at an optimal level for comfort;
- Facilities shall regularly be checked and maintained to ensure highest energy efficiency;
- Encourage employees to develop energy-saving habits through internal training and awareness campaigns;
- LED lighting system is recommended to set up widely in workplaces in order to save energy during the office hours; and
- Factors including safety, reliability, maintenance cost, fuel efficiency, and price, etc should be considered more while selecting vehicles.

2.2 *Water Consumption*

During the Reporting Period, the Group's primary water consumption arose from its service operations and employees' daily use in offices. The Group monitors water usage on a monthly basis to track and assess the effectiveness of environmental practices implemented by its subsidiaries. During the Reporting Period, water consumption decreased by approximately 18.1% year-on-year. The Group will continue to enhance employees' environmental awareness and responsibility, encouraging both staff and visitors to develop good water-saving habits and reduce water wastage.

The table below presents the Group's water consumption data during the Reporting Period:

	Unit (in m^3)	
Water consumption	**2025**	2024
Water consumption	**2,785,552**	3,399,424
Intensity — unit per million RMB revenue	**1,633.9**	1,882.6

To boost the water consumption efficiency, the Group has adopted the following measures:

- Install water-saving signs near water sources to raise awareness of water conservation;
- Implement a rainwater harvesting system for landscape irrigation, toilet flushing, or cleaning purposes;
- Install low-flow faucets, sensor-activated taps, and water-saving toilets in offices and facilities to minimise unnecessary water consumption;
- Schedule regular inspections and maintenance of equipment; and
- Promote habits such as "turning off taps after use" and reducing prolonged water flow.

During the Reporting Period, the Group had no problem in sourcing water.

2.3. Paper Consumption

The Group is committed to a paperless operation, constantly encouraging all employees to reduce paper usage through duplex printing, paper recycle and frequent use of electronic information systems for material sharing or internal administrative documents. Reusable paper products, such as envelopes, are properly recycled wherever possible and appropriate; the use of disposable paper products such as paper cups and paper towels, are discouraged wherever possible and appropriate during operations.

2.4 Packaging Material

The Group's business did not involve any use of packaging materials. Hence, no policy has been established and no data is available.

The Group will continue to identify and address any potential environmental risk, and will promptly take measures to improve our level of energy consumption.

3. Environmental Protection and Natural Resources Conservation

General Disclosures and KPIs

The Group is highly aware of adverse impact on the environment and natural resources, and thus taking steps to minimise those negative footprints by Heat Supply and Construction, Maintenance and Design Services' operations. In addition to compliance with the laws and regulations including the "Energy Conservation Law of the PRC", the "Electric Power Law of the PRC", and the "Law of the PRC on the Prevention and Control of Environmental Noise Pollution", the Group has integrated the concept of environmental protection into its internal management and daily operation with an objective of achieving environmental sustainability.

3.1. Prevention Measures

The Group has consistently made ongoing efforts in energy conservation and low-carbon development. During the Reporting Period, the Group adopted a series of smart management measures and established a long-term mechanism to further supplement and improve system for managing energy conservation, focus on the source, details and process of energy-saving and achieve the goal of energy-saving and emissions reduction. Meanwhile, in line with the Group's training scheme, it has further put in efforts for promotion and integrates the cultural concept of energy-saving and emissions reduction into employees' daily work.

Heat Supply

In order to enhance thermal energy utilization efficiency, the Group has developed the "Heat Exchanger Efficiency Evaluation System," which has now been officially implemented since 2025. This system replaces manual experience with intelligent analysis, providing scientific guidance for production operations, improving economic efficiency, and playing a key role in digitization and safety management. It significantly enhances the precision, safety, and scientific accuracy of system operations.

Additionally, in response to the practical needs of equipment management, the Group has developed the "Equipment Ledger Management System," which has been officially launched in 2025. The system establishes a digital management framework covering the entire lifecycle of equipment. As a centralized and dynamically updated electronic ledger, it enables precise control of all assets. Its efficient mobile inventory function greatly improves the efficiency of regular stocktaking and ensures consistency between records and actual assets. For inspections, the system supports real-time data uploads, effectively enabling preventive maintenance and helping identify and eliminate potential risks in advance. The in-depth application of this system marks a new stage of full digitalization in equipment management, providing strong support for the safe and stable operation of equipment.

Construction, Maintenance and Design Services

In engineering construction, the Group continuously optimizes on-site project organization and its safety management system, improving construction efficiency while strengthening safety controls to ensure high-quality project delivery. In engineering maintenance, potential hazards identified during inspections are promptly analyzed by professional teams, with targeted and practical rectification plans formulated, along with clearly defined responsible teams and timelines. In design services, the Group adheres to a steady development approach and continues to increase investment in technological innovation, achieving notable results in this area.

3.2 Noise Management

The Group strengthened the "Environmental Quality Standard for Noise (GB3096-2008)". If the noise exceeds the standard, the heat exchange station will be sound-proofed and noise-reduced by adding or replacing the shock-absorbing device; or the equipment of the noise source will be replaced. Every subsidiary is responsible for submitting the noise test from each heat production unit in order to manage and supervise the noise during business operations.

During the Reporting Period, no significant impacts of activities on the environment and natural resources.

4. CLIMATE CHANGE

The Group recognises that climate change poses significant challenges to the global environment and economic development. To enhance its capacity to address climate change, the Group continuously optimises its management approach by incorporating climate-related factors into risk management and business operational decisions. This enables the Group to strengthen the identification, assessment, and management of climate-related risks and opportunities, while improving operational resilience and adaptive capacity.

Climate Change Management Approach

The Group has assessed entity-level climate risks and policy transition risks relevant to its business and has developed the following management measures:

4.1. *Governance*

The Board of Directors holds ultimate oversight responsibility for the Group's climate-related risks and opportunities. Climate-related matters have been incorporated into the Group's overall risk management and internal control framework, with the Board regularly reviewing relevant risks and management measures. Details are outlined in the section headed "The ESG Governance Structure".

The management of climate-related issues is delegated to the ESG Working Group. The ESG Working Group supports the Board's role by serving as the Group's primary internal coordination mechanism for formulating and implementing climate-related policies and measures, as well as monitoring environmental performance indicators, including greenhouse gas emissions and energy consumption. Relevant departments are also tasked with identifying potential climate risks, tracking policy developments, and promoting energy-saving and emission-reduction initiatives. Relevant controls and procedures are reviewed regularly by the Board to ensure effectiveness.

In addition to the short to medium term GHG emissions reduction targets outlined in the "GHG Emissions" section, the Group will continue to evaluate the feasibility of setting long-term climate or carbon neutrality targets as part of its transition plan, in order to achieve significant progress in the transition to green and low-carbon energy.

The Group's remuneration policy includes climate-related indicators. Annual performance evaluations incorporate energy consumption metrics into performance criteria, such as water usage, electricity consumption, and heat consumption. The Group will use these energy consumption indicators to determine tiered rewards for employees.

4.2. *Strategy*

Physical Climate Risks

The Group's heating business is affected by outdoor climate conditions. Extreme low temperatures or temperature fluctuations may increase heat demand, leading to higher fuel procurement costs and operational expenses. Extreme weather events, such as heavy snow or storms, may damage heating facilities and affect the stability of heat supply.

Response Measures — Physical Climate Risks:

- Promote the smart heating network platform to improve heating efficiency through intelligent and scientific heat source regulation;
- Strengthen facility inspections and maintenance, and establish operational and emergency plans for the annual heating period; and
- Enhance the engineering team's climate resilience and disaster response capabilities.

Transition Risks

Policies, regulations, and market trends may impact the heating industry, including stricter carbon reduction policies, higher energy efficiency standards, and market reforms.

Response Measures — Transition Risks:

- Improve energy usage efficiency and monitor energy consumption;
- Advance equipment upgrades and technological innovation; and
- Invest in R&D and digital energy management to ensure compliance and enhance long-term sustainability.

Climate Opportunities

- The application of energy-efficient heating technologies can reduce energy consumption and costs;
- Smart heating networks and digital energy management enhance operational efficiency and reduce energy losses; and
- Green transformation helps improve brand value and attract investment.

The Group's climate assessments cover short-term (1–3 years), medium-term (3–10 years), and long-term (over 10 years) horizons. The results of our climate assessment are as follows:

Climate Risks and Opportunities

Climate Risk/Opportunity	Potential Financial Impact	Likelihood	Impact	Timeframe	Mitigation/Response Measures
Extreme low temperatures and temperature fluctuations (Physical Risk)	Increased heating demand, higher fuel procurement costs and operating expenses	High	High	Short–Medium term	Optimise heating via smart network systems to improve heat source allocation efficiency
Extreme weather events (e.g., storms, heavy snow) (Physical Risk)	Potential damage to heating facilities, increased maintenance or repair costs	Medium	High	Medium–Long term	Strengthen facility inspections and maintenance; develop emergency plans and command mechanisms
Stricter environmental regulations and carbon reduction policies (Transition Risk)	Increased compliance costs; equipment upgrades may require capital investment	High	Medium	Medium–Long term	Improve energy efficiency, monitor energy usage, and gradually reduce carbon emissions
Advancements in energy-efficient heating technology (Opportunity)	Improved energy and operational efficiency, reduced energy consumption and costs	Medium	Medium	Medium–Long term	Invest in R&D and equipment upgrades; adopt high-efficiency heating technologies
Development of smart heating networks and digital energy management (Opportunity)	Enhanced operational efficiency, reduced energy losses, lower costs	Medium	Medium	Medium–Long term	Continue developing smart heating platforms and intelligent heating management systems

The Group will continue to implement its established climate mitigation and adaptation measures, as outlined in the "GHG Emissions" and "Energy Consumption" sections, with resources allocated through its operational budget, consistent with the prior year.

The Group is in the process of enhancing its skills, capabilities and resources to identify and quantify the extent of assets and business activities exposed to climate-related risks and aligned with climate-related opportunities, as well as their potential impacts. The Group will continue to build internal expertise and allocate additional resources as appropriate.

During the Reporting Period, there were no major disposal plans, nor identified funding arrangements, in relation to climate-related risks and opportunities.

Climate Scenario Analysis

To assess the potential impact of climate change on business operations, the Group conducted preliminary evaluations under different climate scenarios:

Scenario	Assumptions	Potential Risks	Potential Opportunities	Resilience Measures
1.5°C	Global warming limited to within 1.5°C	Strict carbon regulations, higher fuel costs	Subsidies for clean energy projects, green financing opportunities	Early investment in clean energy heating facilities, optimise network efficiency
2°C	Global warming limited to 2°C	Energy price volatility, medium- to long-term policy constraints	Increased market demand for low-carbon heating services	Improve Combined Heat and Power (CHP) efficiency, optimise smart heating management systems
4°C	Global warming exceeds 4°C	Increased extreme weather, fluctuating heat demand	Reduce heating demand during periods of high temperature.	Optimise heat supply scheduling, enhance equipment resilience and safety

Through climate scenario analysis, the Group can more effectively identify potential risks posed by climate change and develop corresponding strategies to maintain operational stability.

Climate Resilience

The Group recognises that climate change may have long-term impacts on business operations and infrastructure. Accordingly, it continues to enhance operational climate resilience to address extreme weather events and potential risks associated with climate change.

In its heating business, the Group monitors and regulates heating operations through a smart heating network system, enabling dynamic adjustments based on temperature changes and heat demand to ensure stable system performance. At the same time, the Group continues to strengthen routine inspections and maintenance of heating facilities to mitigate potential impacts of extreme weather on equipment operations.

Furthermore, the Group has developed operational and emergency management plans for the heating period and established a dedicated emergency management team responsible for monitoring extreme weather conditions and formulating response measures. By establishing a comprehensive risk monitoring and emergency management mechanism, the Group can respond promptly during extreme weather events, minimising disruptions to daily operations.

Looking ahead, the Group will continue to optimise heating system management, improve energy efficiency, and further enhance its climate-related risk management capabilities to strengthen the long-term climate resilience of its operations.

Investment and Asset Optimisation Plan

Timeframe	Investment Plan	Disposal Plan	Main Objectives
Short-term	Upgrade heating boilers and energy-saving equipment; optimise a smart heating management system	No major asset disposals	Improve energy efficiency, reduce fuel consumption, and enhance system operational efficiency
Medium-term	CHP-based heating facilities; upgrading heating equipment, pipeline networks and insulation systems	Phase out high-energy-consuming, low-efficiency equipment	Improve overall energy utilisation efficiency and reduce operating costs
Long-term	Promote clean energy heating projects; establish a low-carbon smart heating system	Replace old high-emission equipment	Reduce carbon emissions, support low-carbon transition, and enhance climate resilience

4.3. *Risk Management*

The Group has integrated climate-related risks into its overall risk management system, identifying, assessing, and monitoring these risks to minimise impacts on business operations.

In the heating business, the Group fully utilises the smart heating network system, using intelligent adjustment and scientific allocation of heat supply to mitigate operational risks arising from climate change.

Additionally, the Group has formulated the "Annual Heating Period Operation and Emergency Response Plan" and established an emergency command leadership team responsible for risk assessment, monitoring, and emergency coordination during extreme weather events. These measures aim to reduce the impact of extreme weather on daily operations and ensure the stability and safety of heating services.

The Group's cautious and vigilant approach indicates a thorough assessment of risks associated with investments and operations. The Group's board and directors involve evaluating the likelihood and potential impact of identified risks on business objectives. By adopting a sustainable approach to business, the Group employs risk mitigation strategies that not only safeguard financial interests but also enhance reputation and stakeholder trust.

The Group continuously monitors risks and manages them through mitigation and risk transfer measures, including operational controls where appropriate. Commitment to transparency, regular assessment, and reporting ensures alignment with risk management objectives, ESG initiatives, and stakeholder expectations. The Group continues to enhance its risk management processes to strengthen governance, oversight, and accountability.

4.4. *Metrics and Targets*

The Group continuously monitors environmental performance indicators related to climate change, including GHG emissions and energy consumption. To improve environmental performance, the Group has implemented multiple measures, such as:

- Enhancing the operational efficiency of heating equipment;
- Optimising fuel usage efficiency;
- Conducting regular maintenance of heating networks to reduce energy losses; and
- Promoting energy-saving management measures.

The Group strives to adopt 2026 as the baseline for greenhouse gas emission management, providing a reference for monitoring future performance and setting emission reduction targets. At this stage, the Group is continuously improving its data collection and management mechanisms and gradually expanding the scope of disclosure to enhance data accuracy and completeness.

In 2025, the Group did not use any carbon credits, but may consider employing them in the future to offset part of its GHG emissions. Currently, internal carbon pricing has not been incorporated into decision-making processes. The Group has also not yet adopted specific industry-based metrics for climate-related disclosures but recognises the guidance of IFRS S2 and will evaluate its applicability in the future. Going forward, the Group will continue to review its environmental performance and explore feasible measures to further reduce GHG emissions and improve energy efficiency.

GHG Emissions

During the Reporting Period, the Group's total GHG emissions (scope 1 and scope 2) were approximately 407,788.1 tonnes (2024: 235,939.7 tonnes), representing a year-on-year increase of around 73%. The intensity of GHG emissions (scope 1 and scope 2) per RMB million of revenue were approximately 239.2 tonnes (2024: 130.7 tonnes), an increase of about 83% year-on-year. The rise in total emissions was primarily due to increased consumption of diesel, coal, and electricity. A summary is as follows:

Types of Emissions **GHG Emissions**[5]	**Total emissions (in tonnes of CO_2e)** **2025**	2024
Scope 1 (direct energy — diesel, petrol, coal, natural gas in boilers & vehicles)	**366,415.6**	188,717.2
Scope 2 (indirect energy — purchased electricity)	**41,372.5**	47,222.5
Scope 3 (Other indirect[6] — upstream)		
— Waste generated in operations	**6.8**	6.8
— Business air travel	**34.6**	13.2
(Other indirect— downstream)		
— Purchased heat	**645,005.0**	663,339
Total GHG emissions (Scope 1 and 2)	**407,788.1**	235,939.7
Intensity of total GHG emission (Scope 1 and 2) — unit per million RMB revenue	**239.2**	130.7

Note:

5. Greenhouse gas emission data are presented in terms of carbon dioxide equivalence with reference to the requirements of, including but not limited to, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard published by the World Resources Institute and the World Business Council for Sustainable Development, the Reporting Guidance on Environmental KPIs published by the Stock Exchange and Baseline Emission Factors for Regional Power Grids in China for 2022 Emission Reduction Projects.

6. Other indirect GHG emissions (Scope 3) that occur in the upstream and downstream activities of the Group. The significant contribution is mainly from Category 5: Waste generated in operations, Category 6: Business air travel and Category 11: Purchased heat as defined by the GHG Protocol. Emission factors adopted are from the "Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance" issued by the Department for Energy Security and Net Zero of the UK.

III. SOCIAL

Major Scope & Aspects

The Group makes an effort to provide a safe working environment for the employees and to care for the overall wellbeing of the employees. In relation to employment and labour practices, the human resources department focuses on employment, health, safety, development and training. The Group complies with laws and regulations on compensation and dismissal, recruitment and promotion, working hours, rest period, equal opportunity and other benefits as well as anti-discrimination law.

1. Employment and Labour Practices

General Disclosure

The Group strictly follows the relevant laws and regulations. The Group determines salaries on the principle of fairness and ensures that wages are no lower than the minimum wage in accordance with the "Measures for Employees' Wage Management". Wages in related markets are also referenced, so that the Group can provide attractive compensation. The Group offers a variety of allowances to qualified employees, and provides staff members with retirement protection plans, as stipulated by law and regulations. The Group welcomes diversity in its staff members. Regardless of ethnicity, religion, gender or age, all people receive equal employment opportunity in such matters as recruitment, development, promotion and training.

During the Reporting Period, the Group employed a total of 1,569 full-time employees in China (2024: 1,595), of which 1,366 (2024: 1,379) were engaged in the heating services business segment, and 203 (2024: 216) were employed in the construction, maintenance, and design services segments. During the Reporting Period, 2 employees (2024: 3) resigned from subsidiaries, resulting in an overall employee turnover rate approaching zero. This included 1 male (aged 30–50, 2024: 1) and 1 female (aged 30–50, 2024: 2). In terms of talent development, the Group has established an internal talent development system, with employees managed through a talent pool. Remuneration, job assignments and promotions are based on employees' responsibilities, experience and market practices.

The Group participates in welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance in accordance with the regulations including the "Labour Law of the PRC"、the "Labour Contract Law of the PRC" and the "Social Insurance Law of the PRC".

Employee Relations

In order to strengthen corporate culture and sustain development, the Group's labour union is committed to providing comprehensive employee benefits and actively organizing a variety of activities. These initiatives foster a warm and supportive environment, promote work-life balance, and enhance employee cohesion and sense of belonging.

Equal Opportunity

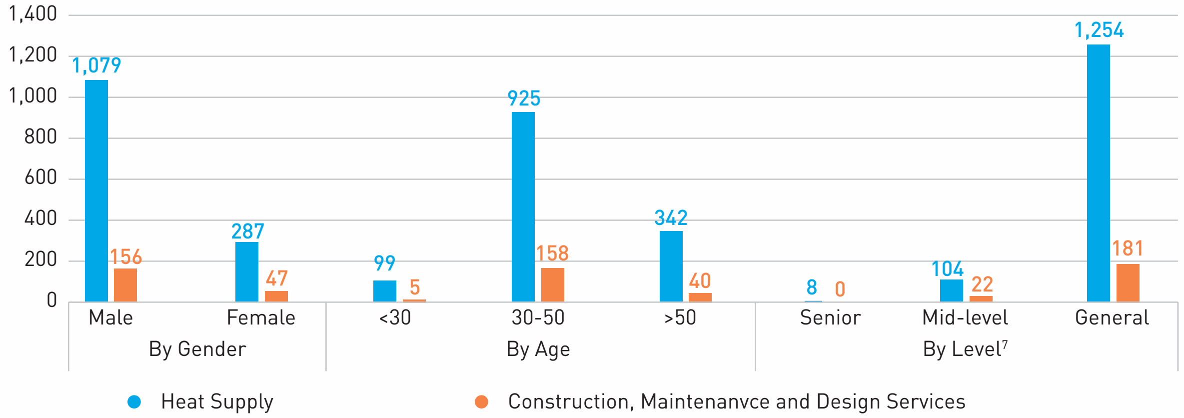
The human resources department conducts a comprehensive recruitment review to ensure that the data provided by the candidates are accurate. The Group's recruitment and promotion process are carried out in a fair and open manner for all employees; employees are recognised and rewarded by their contribution, work performance and skills, and outcomes will not be affected by any discrimination on the grounds of age, gender, physical or mental health status, marital status, family status, race, skin color, nationality, religion, political affiliation and sexual orientation and other factors.

To support the national "Three-Child Policy", the Group provides comprehensive assistance to employees and grants leave for those undergoing family planning procedures in accordance with the Jilin Province Population and Family Planning Regulations. In addition, from 2025 onwards, the Group's retirement system follows national unified regulations, implemented in accordance with the Jilin Province Employee Retirement Key Policies, applying a gradual extension of the statutory retirement age while requiring employees to meet the relevant pension contribution years.

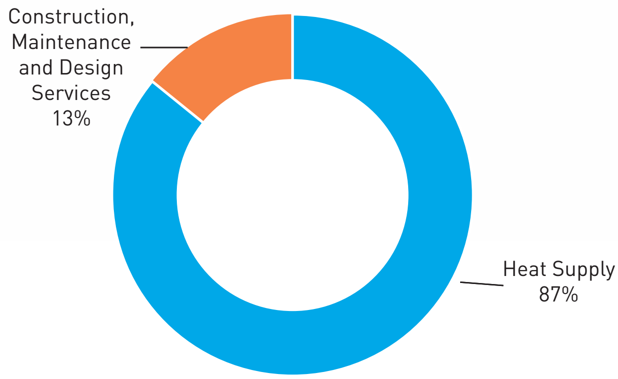
During the Reporting Period, the Group did not identify any major non-compliance with laws and regulations in relation to the employment practices.

The chart below presents the distribution of the Group's employees across business segments during the Reporting Period:

Total number of employees by categories of business semgment



Employee ratio by business segment (in % share)



Total: 1,569 employees (at as 31 December, 2025)

Note:

7.1. The category of senior employees of the Group are senior management.

7.2. The category of middle-level employees of the Group includes all ranks of administrators, managers and supervisors;

7.3. The category of general level of the group includes employees of other ranks; and

7.4. This classification for job level is also used on the employees' training hours and percentages of the Group in this Report.

2. Health and Safety

General Disclosure

The Group puts particular emphasis on health and safety and attaches great importance to health protection and a safe working environment as it firmly upholds the principle of "prevention and implementing comprehensive management". The security emergency department maintains the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. We have taken the following measures:

- Installing air purifiers in relatively crowded areas such as conference and meeting rooms;
- Prohibiting smoking and abuse of alcohol and drugs in the workplace;
- Providing clean and tidy rest area such as dressing room;
- Providing adjustable chairs and monitors for eye protection;
- Setting up posters of proper working postures and lifting method accessible on the intranet;
- Providing the Personal Protective Equipment (PPE) products for anti-dust, noise, toxin etc at workplace;
- Conducting fire drills and emergency evacuation simulations to raise the employees' awareness of fire prevention and to equip them with appropriate knowledge and skills in the event of emergency; and
- Improving the fire evacuation plans by providing first aid kits and fire extinguishers in workplace in response to emergencies.

In order to protect the health of the employees, the Group relieves the financial burden of medical expenses caused by hospitalization and accidents. The group has newly participated in the " Employee Comprehensive Mutual Aid Insurance Plan for Inpatient Medical Care" for all employees as well as comprehensively implemented the "Employee Mutual Aid Insurance Plan for Serious Illness" and the "Female Employee Insurance Plan for Special Illness" at the same time.

Safety Management

During the Reporting Period, the Group resolutely implemented the safety production decisions and deployments of all levels of government, firmly establishing a safety development concept. The Group strengthened the effective implementation of the "three managements and three musts" responsibilities, strictly adhered to safety production regulations, and enhanced safety management efforts. By continuously implementing the dual-prevention mechanism and safety production standardization, improving safety assessment rules, emergency response plans, organizing safety education and training, and conducting emergency drills, the Group has reinforced safety supervision and control, as well as hazard identification and remediation. These measures provided strong support for the safe and stable production and operation of the company, ensuring the successful completion of annual safety management goals. Throughout the Reporting Period, the Group did not experience any major safety accidents.

The summary of work-related fatalities and injuries in the past of three years:

Item	Unit	**2025**	2024	2023
No. of Work-Related Fatalities	ppl	**—**	—	—
Rate of Work-Related Fatalities	%	**—**	—	—
No. of Injuries at Work (For 7 consecutive days or more)	ppl	**2**	5	1
Lost Days due to Injury at Work (For 7 consecutive days or more)	days	**60**	580	60

In the past of three years, the Group did not encounter any severe injuries or casualties, did not record any accidents that resulted in death or serious bodily injury, did not pay any reimbursements or compensations to the Group's employees due to such accidents, and was not aware of any major violations against laws and regulations related to employees' health and safety.

3. Development and Training

General Disclosure

Talent development is an important part of the Group's strategy for managing human resources. Being closely related to corporate sustainable development, training can enhance the overall quality of staff members, and this enables them to adapt to new job requirements, as well as improve their capabilities to perform their current duties.

The Group strives to raising the safety awareness of its employees through promotion on bulletin boards and posting of safety signs. More importantly, the Group has also established safety training and education system. Occupational health and safety training courses are conducted regularly to the employees, training topics include general occupational health and safety education, correct usage of personal protective equipment etc. In addition, the certificate of competency is required for professional positions, such as instrument technicians, boiler workers, electrical engineers, and welders must be trained by relevant departments and pass the examination before they can take up the job. The mental well-being of employees has been valuable assets for the Group, and the Group has alleviated employees' working pressure through arrangement of various activities such as mental well-being courses and group sharing. Furthermore, the Group encourages and supports employees to participate in personal and professional trainings in response to the relevant evolving market needs, such as changes in laws and regulations, market trends, product trends and customer behaviours. Based on the needs of individual employees, we also provide education allowances to facilitate improvement of their job skills and encourage them to maintain the non-stop learning spirit.

The table below sets out the number of employees, training hours and percentages of the Group during the Reporting Period:

Employees' category	Hours	Employees	Percentages (in %)
Total no. of employees, training hours and percentages	5,280	1,443	92%
No. of employees/average no. of training hours/rate of employees trained by level			
Senior	503	126	100%
Middle-level	1,928	480	100%
General	2,849	837	58%
No. of employees/average no. of training hours/rate of employees trained by gender			
Male	4,888	1,336	100%
Female	392	107	32%

During the Reporting Period, the Group continued to improve its training system and mechanisms, focusing on talent development and employee growth. It established clear employee development pathways and implemented personnel mobility strategies, such as job rotation and competitive appointments, to promote the Group's development and enhance human capital value. At the same time, the Group strengthened operational staff's safety awareness, improved their skills, and built a stronger skilled workforce to effectively prevent and reduce various production safety incidents.

4. **Labour Standards**

General Disclosure

Being fully aware that exploitation of child and forced labour violate human rights and international labour conventions, the Group strictly prohibits the employment of any child labour and forced labour. New employees are required to provide true and accurate personal data when they are onboard. Recruiters should strictly review the entry documents including medical examination certificates, academic certificates and identity cards. The Group constantly rejects to engage suppliers and contractors, that hire child labour or forced labour in their operations, to provide administrative supplies and services.

The Group strictly complies with the relevant laws and regulations, including the "Labour Law of the PRC" and the "Protection of Minors and the Prohibition of Using Child Labour of the PRC".

During the Reporting Period, no significant violations of laws or regulations regarding the prohibition of child labor or forced labor were identified.

5. **Supply Chain Management Mechanism**

General Disclosure

The Group believes the value in ethics, honesty and integrity, operating in compliance with applicable laws and regulations. The Group encourages the business partners and suppliers to adopt the best environmental and social practices and to disseminate the pursuit of sustainability into the core business. The Group cooperates closely with business partners and suppliers through a comprehensive market analysis and centralised procurement system, and pays attention to the quality of purchased materials throughout the operation process. All the processes for procurement, price control, resource management are carefully monitored and documented. In order to guarantee the safety of our products and services, every single purchase is approved by the competent authorities before being put to use and sale.

In addition to procuring products and services in accordance with the Group's "Material Procurement Management Measures" and other designated guidelines, the Group has established a partner and supplier screening mechanism. Partners and suppliers are required to comply with all applicable laws and regulations, and are expected to adhere to standards in safety, environmental, and social areas. The Group conducts inspections and assessments when necessary. To maintain effective corporate oversight and governance, the Group has established a series of management systems and procedures in line with the HKEX requirements. The Group is required to terminate contracts with any partners or suppliers that may have caused, or have already caused, serious environmental pollution or major social incidents.

During the Reporting Period, the total number of business partners and suppliers were 194 (2024: 187), in which 102 (2024: 97) from the business segment of Heat Supply and 92 (2024: 90) from Construction Maintenance and Design Services. To promote sustainable supply chain practices, the Group continues to source exclusively from domestic Chinese business partners and suppliers, seeking environmentally friendly materials and supporting localisation. On the principle of equal terms and conditions, the Group prioritises establishing mutually beneficial partnerships with local partners and suppliers, and leverages logistics management technologies to shorten material delivery times, while controlling warehouse storage and delivery pressures to reduce the environmental impact of vehicle emissions.

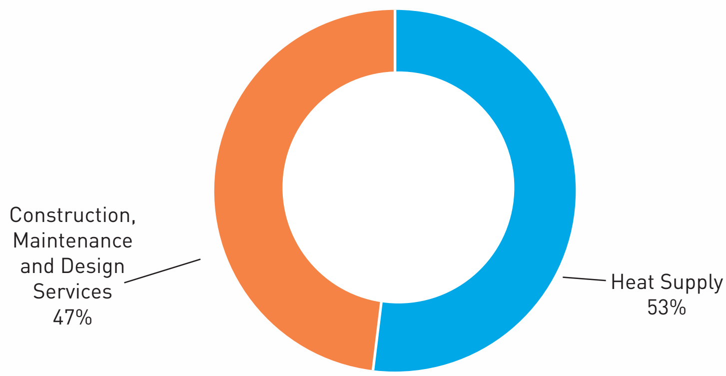
When evaluating business partners and suppliers, in addition to basic selection criteria, the Group incorporates standards related to energy efficiency and environmental protection. Supplier evaluation is an ongoing process, with regular review procedures in place to ensure that existing partners meet the Group's requirements. Any issues identified are promptly corrected, followed by subsequent reassessment.

The Group believes that the above assessment procedures can minimise potential environmental and social risks associated with supply chain management.

Fair and Open Procurement

The Group's procurement process is conducted in strict compliance with the Tendering and Bidding Law of the People's Republic of China and other relevant regulations, under principles of openness, fairness, and impartiality. The Group does not discriminate against any supplier and prohibits employees or other individuals with personal interests in related business partners or suppliers from participating in procurement activities.

The Ratio of business partners & suppliers (by business segment)



6. Product Responsibility

General Disclosure

As a leading business in heating industry, the Group keeps good communication with customers to understand and meet their needs and expectations, thereby continually improving the quality of its services. The Group is committed to "optimizing heating services" and providing the highest standards of service.

During the Reporting Period, the Group served a total of 598,116 customers (2024: 572,109), of which 598,085 customers (2024: 572,058) belonged to the heating services segment, and 31 customers (2024: 51) belonged to the construction, maintenance, and design services segment. The Group has established strict procedures and systems to ensure that all products and services comply with all relevant laws, regulations, and internal requirements, including but not limited to the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Advertising Law of the People's Republic of China, and the Product Quality Law of the People's Republic of China. This ensures that no false or misleading information is presented in advertising and promotional activities.

IPR protection

Aligned with the national "15th Five-Year Plan" for Science Popularization, the Group is committed to enhancing public scientific literacy and promoting technological innovation and digital transformation. In 2025, the Group was granted 3 utility model patents by the National Intellectual Property Administration (2024: 5 patents).

The Group will further enhance independent innovation, strengthen intellectual property strategy and risk management tailored to the heating industry, and solidify technological capabilities to safeguard the sector.

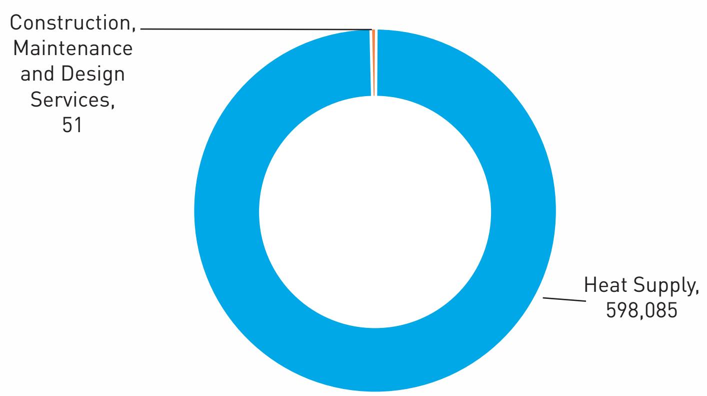
Feedback Management

The Group has established multiple channels for complaints and feedback, including hotlines, WeChat, email, and its website, to collect customer suggestions and opinions. The Group uses an intelligent customer service platform (963963 hotline) to enhance the quality of heating services. To broaden channels for listening to user feedback and addressing heating issues, the Group has actively established 1,415 WeChat community manager groups (2024: 1,211), organized by community units. These groups allow timely dissemination of heating-related information and real-time resolution of user requests. During the Reporting Period, the number of heating manager groups increased by 16.85% year-on-year due to the expansion of the heating coverage area.

During the Reporting Period, the Group did not identify any material non-compliance with laws and regulations related to the health and safety of provided products and services, advertising, labelling, privacy, or remedies that would have a significant impact on the Group.

The chart below presents the distribution of the Group's customers across business segments during the Reporting Period:

Total numbers of customers by business segment



7. Anti-corruption Mechanism

General Disclosure

Ethics and integrity are the cornerstones of the Group's success. The Group adopts a zero-tolerance approach to bribery, extortion, fraud and money-laundering. All Directors, management personnel and staff members must comply with all relevant national and local laws and regulations on preventing bribery, extortion, fraud and money-laundering in regions and areas where they operate businesses, such as the "Criminal Law of the PRC" and the "Punishing corruption and regulations of the PRC". All employees not only have responsibility to understand and comply with above policies on preventing bribery, extortion, fraud and money-laundering, but also have an obligation to report violation to the senior management of the Group. Any person who contravenes the regulations will be reported to the authorities.

The Group has established the Anti-Money Laundering Management Measures and the Anti-Corruption Policy. In June and November 2025, the Group organised warning and education sessions, as well as training sessions for middle management and Party affairs personnel. In addition, disciplinary requirements were communicated at appropriate times around key holidays, including New Year's Day, the Spring Festival, Labour Day and National Day. The Group also issued a series of anti-corruption notices, including the Notice on Strengthening Discipline and Work Conduct during the New Year's Day and Spring Festival Period, the Notice on Upholding Integrity during the Dragon Boat Festival, the Notice on Maintaining Integrity during the Mid-Autumn Festival, and the Notice on Ensuring Clean Conduct during the National Day Holiday. These initiatives aim to educate all employees on compliance with applicable laws and regulations and to promote the importance of integrity and anti-corruption. Furthermore, The Group has adopted measures to encourage employees to report rule and legal violations and to strengthen the protection of whistleblowers' privacy. In 2025, the Group further enhanced anti-corruption training. All directors and employees completed an average of 7 training sessions (2024: 5 sessions), effectively raising awareness at all levels on preventing corruption, money laundering, and other illegal activities.

During the Reporting Period, the Group was not aware of any corruption-related litigation involving the Group or its employees.

8. Community Investment

General Disclosure

The Group promotes the social contribution of all members. It attaches great importance to inspiring a sense of social responsibility in employees and encourages them to make a greater contribution to our community both at work and in their spare time.

(1) *Voluntary blood donation activities*

In celebration of the 62nd "Lei Feng Memorial Day," a total of 44 employees from the Group successfully donated blood.

(2) Community Care and Support for Special Groups

- Provided essentials such as small rice cookers, electric fans for elderly living alone to improve their living comfort and help them cope with hot weather;

- Supplied essential supplies such as rice, flour, and cooking oil to low-income households and families in need to improve their daily diet and ease financial burdens;

- Conducted cleaning and maintenance services, including washing heating systems, replacing valves, cleaning windows, and tidying up homes;

- Procured urgently needed living supplies for under-resourced nursing homes;

- Purchased books and study materials for underprivileged children; and

- Visited veteran soldiers, delivering care packages such as warm clothing, nutritional supplements, and daily necessities to ensure their well-being and comfort.

Looking ahead, the Group will continue to focus on social activities and motivate employees to actively participate in volunteer services. The Group is committed to increasing social investment and creating a better environment for society and its business.

IV. CONCLUSION

The Group recognises the significant challenges that climate change poses to the global environment and economy. Accordingly, it continuously optimises its management approach, integrating climate-related factors deeply into risk management and business decision-making to strengthen the identification, assessment, and management of risks and opportunities, while significantly enhancing operational resilience and adaptive capacity. To this end, the Group prepares its reports in strict accordance with the ESG Reporting Guidelines. Key performance indicators are quantified through the internal "Operational Control Mechanism", and the Group is committed to continuously evaluating management policies and monitoring sustainable development progress. Moving forward, the Group aims to gradually expand disclosure coverage and further improve the quality and comprehensiveness of its periodic ESG reporting.

V. ESG GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Aspects, General Disclosures and KPIs	Description	Relevant Pages In The Report & Remark
A	**Environment**	Environmental
Aspect A1	**Emissions**	Environmental — Emissions
KPI A1.1	Types of emissions and respective emissions data	Environmental — Emissions — KPIs of Emission Management
KPI A1.2	Repealed 1 January 2025	—
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity	Not applicable to the Group's core operation.
KPI A1.4	Total non-hazardous waste produced and intensity	Environmental — Emissions — KPIs of Emission Management
KPI A1.5	Description of measures to mitigate emissions and results achieved	Environmental — Emissions — Waste Management
KPI A1.6	Description of how hazardous and non-hazardous waste are handled, reduction initiatives and results achieved	Environmental — Emissions — Non-Hazardous Waste
Aspect A2	**Use of Resources**	Use of Resources/ Energy Efficiency Management
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	Use of Resources/ Energy Efficiency Management — Energy Consumption
KPI A2.2	Water consumption in total and intensity	
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Use of Resources/ Energy Efficiency Management — Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water, water efficiency initiatives and results achieved	Use of Resources/Energy Efficiency Management-Water Consumption
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced	Use of Resources/Energy Efficiency Management-Packaging Material

As at 31 December 2025

Aspects, General Disclosures and KPIs	Description	Relevant Pages In The Report & Remark
Aspect A3	**The Environment and Natural Resources**	Environmental Protection and Natural Resources Conservation
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	No significant impacts of activities on the environment and natural resources during the Reporting Period.
Aspect A4	**Repealed 1 January 2025**	—
KPI A4.1	Repealed 1 January 2025	—
Aspect B	**Social**	Social
Aspect B1	**Employment**	Social — Employment and Labour Practices
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	Social — Employment and Labour Practices
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Social — Employment and Labour Practices
Aspect B2	**Health and Safety**	Social — Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in the past three years including the reporting year	Social — Health and Safety-Safety management
KPI B2.2	Lost days due to work injury	Social — Health and Safety-Safety management
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Social — Health and Safety
Aspect B3	**Development and Training**	Social — Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category	Social — Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category	Social — Development and Training
Aspect B4	**Labour Standards**	Social — Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Social — Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered	No such practices when discovered during the Reporting Period.

Aspects, General Disclosures and KPIs	Description	Relevant Pages In The Report & Remark
Aspect B5	**Supply Chain Management**	Social — Supply Chain Management
KPI B5.1	Number of suppliers by geographical region	Social — Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Social — Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Social — Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Social — Supply Chain Management
Aspect B6	**Product Responsibility**	Social — Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable to the Group's core operation.
KPI B6.2	Number of products and service-related complaints received and how they are dealt with	No products and service-related complaints received during the Reporting Period.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Social — Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures	Not applicable to the Group's core operation.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Social — Product Responsibility — IPR protection
Aspect B7	**Anti-corruption**	Social — Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases	No concluded legal cases regarding corrupt practices during the Reporting Period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Social — Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff	Social — Anti-corruption
Aspect B8	**Community Investment**	Social — Community Investment
KPI B8.1	Focus areas of contribution	Social — Community Investment
KPI B8.2	Resources contributed to the focus areas	Social — Community Investment

THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As at 31 December 2025

Part D: Climate-related disclosure	Description	Section/Declaration
Governance		
19 (a)(i)-(iv)	Information on the governance body responsible for overseeing climate related risks and opportunities (skills, frequency of being informed, how climate risks are considered, oversight of targets and remuneration)	The ESG Governance Structure; Stakeholder Engagement; Climate Change — Governance
19 (b)(i)-(ii)	Management's role in governance processes	
Strategy		
20 (a)-(d)	Identification and classification (physical/transition) of climate-related risks and opportunities, and definition of time horizons	Climate change — Strategy
21 (a) (b)	The current and anticipated effects of climate-related risks and opportunities on the business model and value chain	
22 (a)(i)	How climate-related risks and opportunities are addressed in strategy and decision-making, including transition plans	Climate change — Strategy;
22 (a)(ii)		Climate change — Strategy; Climate change — Metrics and Targets; Emissions — Energy Consumption
22 (a)(iii) 22 (a)(iv) 22 (b)		Climate change — Strategy
23	The progress on plans disclosed in previous reporting periods	Climate change — Strategy
24 (a) (b)	Current financial effect (qualitative and quantitative)	Climate change — Strategy
25 (a)(i)(ii), (b)	Anticipated financial effect (qualitative and quantitative)	Climate change — Strategy
26 (a)(i)-(iii) 26 (b)(i)-(iii)	Climate resilience (scenario analysis)	Climate change — Strategy
Risk Management		
27 (a)(i)-(vi)	Processes for identifying, assessing, prioritising and monitoring climate related risks	Climate change — Risk Management
27 (b) (c)		

Part D: Climate-related disclosure	Description	Section/Declaration
Metrics and Targets		
28(a)-(c)	Scope 1 greenhouse gas emissions; Scope 2 greenhouse gas emissions; Scope 3 greenhouse gas emissions	Climate change — Metrics and Targets
29 (a)-(d)	Methodologies used to measure greenhouse gas emissions	Climate change — Metrics and Targets
30	Amount and percentage of assets or business activities vulnerable to climate-related transition risks	Climate change — Strategy
31	Amount and percentage of assets or business activities vulnerable to climate-related physical risks	Climate change — Strategy
32	Amount and percentage of assets or business activities aligned with climate-related opportunities	Climate change — Strategy
33	Amount of capital expenditure, financing or investment deployed for climate-related risks and opportunities	Climate change — Strategy
34 (a)(b)	Internal carbon pricing	Climate change — Metrics and Targets
35	Whether and how climate-related considerations are incorporated into remuneration policies	Climate Change — Governance
36	Industry-based metrics	Climate change — Metrics and Targets
37(a)-(h)	Climate-related targets (metrics, objectives, scope, timeline, base year, progress, etc.)	Climate change — Metrics and Targets
38 (a)-(d)		
39		
40 (a)-(c)	Specific disclosures on greenhouse gas emissions targets (the types of greenhouse gases covered, scopes, gross/net, decarbonisation approach, carbon credits, etc.)	Climate change — Metrics and Targets
40 (d)		
40 (e)(i)-(iv)		
41	Applicability of cross-industry metrics and industry-based metrics	Climate change — Metrics and Targets