The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Draft]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WISE LIVING TECHNOLOGY COMPANY LIMITED AND GUOTAI JUNAN CAPITAL LIMITED

Introduction

We report on the historical financial information of Wise Living Technology Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-81, which comprises the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, the company statements of financial position as at 31 December 2020, 2021 and 2022, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-81 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2020, 2021 and 2022, and the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 33 to the Historical Financial Information which states that no dividends have been paid or declared by the Company in respect of the Track Record Period.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the years ended 31 December 2020, 2021 and 2022 (the "Track Record Period"), on which the Historical Financial Information is based, were audited by [PricewaterhouseCoopers] in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand of RMB ("RMB'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	1,376,321	1,290,635	1,443,732
Cost of sales	*8*	(1,084,931)	(976,969)	(1,146,851)
Gross profit		291,390	313,666	296,881
Administrative expenses	*8*	(124,951)	(141,306)	(139,589)
(Provision)/reversal of impairment losses on financial assets and contract assets	*3.1(b)*	(13,548)	995	23,118
Other income	*6*	48,384	73,584	53,742
Other losses – net	*7*	(157)	(19)	(3,603)
Operating profit		201,118	246,920	230,549
Finance income	*10*	26,393	29,354	26,314
Finance costs	*10*	(92,866)	(81,503)	(84,065)
Finance costs – net	*10*	(66,473)	(52,149)	(57,751)
Share of profit of associates accounted for using the equity method	*13*	9,282	11,960	13,538
Profit before income tax		143,927	206,731	186,336
Income tax expense	*11*	(45,611)	(35,671)	(45,961)
Profit and total comprehensive income for the year		98,316	171,060	140,375
Profit and total comprehensive income attributable to:				
– Owners of the Company		66,830	110,696	96,431
– Non-controlling interests		31,486	60,364	43,944
		98,316	171,060	140,375
Earnings per share (expressed in RMB per share)				
– Basic and diluted	*12*	0.30	0.49	0.43

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	*14*	164,800	156,521	155,929
Investment properties	*15*	274,500	272,500	267,200
Right-of-use assets	*16*	34,171	29,890	28,381
Intangible assets	*17*	3,169,936	3,190,673	3,340,965
Investments accounted for using the equity method	*13*	72,713	84,824	94,966
Trade receivables	*19*	68,964	81,867	88,158
Prepayments and other receivables	*20*	304,209	238,119	41,865
Contract assets	*5(a)*	44,137	58,671	14,610
Deferred income tax assets	*32(a)*	41,117	49,140	53,674
		4,174,547	4,162,205	4,085,748
Current assets				
Inventories	*21*	32,900	38,178	48,926
Trade receivables	*19*	364,744	337,726	477,986
Prepayments and other receivables	*20*	324,544	215,510	153,127
Financial assets at fair value through profit or loss	*22*	11,041	17,139	–
Restricted cash	*23*	34,848	76,688	100,374
Cash and cash equivalents	*23*	91,826	136,185	378,068
		859,903	821,426	1,158,481
Total assets		5,034,450	4,983,631	5,244,229
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	*24*	226,000	226,000	226,000
Other reserves	*25*	162,739	186,008	200,114
Retained earnings	*26*	131,767	218,791	301,003
		520,506	630,799	727,117
Non-controlling interests	*37*	92,179	151,597	195,445
Total equity		612,685	782,396	922,562

		As at 31 December		
	Note	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
LIABILITIES				
Non-current liabilities				
Borrowings	*28*	371,973	597,762	634,464
Other payables	*27*	67,004	32,631	7,386
Contract liabilities	*29*	1,506,471	1,628,637	1,821,454
Lease liabilities	*31*	22,215	18,387	18,677
Deferred income	*30*	54,831	85,125	83,459
Deferred income tax liabilities	*32(b)*	40,322	30,167	20,331
Provision	*34*	15,382	20,210	25,593
		2,078,198	2,412,919	2,611,364
Current liabilities				
Borrowings	*28*	936,663	463,515	246,750
Trade and other payables	*27*	965,506	816,102	976,277
Contract liabilities	*29*	409,505	462,888	440,546
Lease liabilities	*31*	1,342	1,588	1,005
Current income tax liabilities		30,551	44,223	45,725
		2,343,567	1,788,316	1,710,303
Total liabilities		4,421,765	4,201,235	4,321,667
Total equity and liabilities		5,034,450	4,983,631	5,244,229

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December		
		2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment		845	702	376
Intangible assets		106	38	8
Right-of-use assets		121	60	34
Investment in subsidiaries	*39(a)*	151,000	151,000	151,000
Prepayments and other receivables	*39(b)*	–	3,728	3,728
Deferred income tax assets		920	2,108	2,108
		152,992	157,636	157,254
Current assets				
Amounts due from subsidiaries	*39(c)*	482,984	481,466	514,466
Prepayments and other receivables	*39(b)*	167,837	62,211	39,282
Cash and cash equivalents	*39(d)*	2,922	12,773	40,402
		653,743	556,450	594,150
Total assets		806,735	714,086	751,404
EQUITY				
Share capital	*24*	226,000	226,000	226,000
Other reserves	*39(e)*	5,962	15,563	15,563
Retained earnings	*39(f)*	4,331	90,739	75,977
		236,293	332,302	317,540
LIABILITIES				
Non-current liabilities				
Borrowings	*39(g)*	–	–	58,500
Lease liabilities		67	4	37
		67	4	58,537
Current liabilities				
Borrowings	*39(g)*	100,000	100,000	111,500
Trade and other payables	*39(h)*	5,735	9,228	6,340
Amounts due to subsidiaries	*39(c)*	463,514	271,423	256,818
Current income tax liabilities		1,069	1,069	661
Lease liabilities		57	60	8
		570,375	381,780	375,327
Total liabilities		570,442	381,784	433,864
Total equity and liabilities		806,735	714,086	751,404

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company					
		Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	*RMB'000* *(Note 24)*	*RMB'000* *(Note 25)*	*RMB'000* *(Note 26)*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2020		226,000	146,141	81,481	453,622	60,639	514,261
Comprehensive income							
Profit for the year		–	–	66,830	66,830	31,486	98,316
Total comprehensive income for the year		–	–	66,830	66,830	31,486	98,316
Transactions with owners							
Appropriation to statutory reserves	*25*	–	16,544	(16,544)	–	–	–
Deregistration of subsidiaries		–	(1)	–	(1)	–	(1)
Others	*13*	–	55	–	55	54	109
Total transactions with owners		–	16,598	(16,544)	54	54	108
Balance at 31 December 2020		226,000	162,739	131,767	520,506	92,179	612,685
Balance at 1 January 2021		226,000	162,739	131,767	520,506	92,179	612,685
Comprehensive income							
Profit for the year		–	–	110,696	110,696	60,364	171,060
Total comprehensive income for the year		–	–	110,696	110,696	60,364	171,060
Transactions with owners							
Appropriation to statutory reserves	*25*	–	23,672	(23,672)	–	–	–
Transactions with non-controlling interests		–	(480)	–	(480)	(1,020)	(1,500)
Others	*13*	–	77	–	77	74	151
Total transactions with owners		–	23,269	(23,672)	(403)	(946)	(1,349)
Balance at 31 December 2021		226,000	186,008	218,791	630,799	151,597	782,396

		Attributable to owners of the Company					
		Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	*RMB'000* *(Note 24)*	*RMB'000* *(Note 25)*	*RMB'000* *(Note 26)*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2022		226,000	186,008	218,791	630,799	151,597	782,396
Comprehensive income							
Profit for the year		–	–	96,431	96,431	43,944	140,375
Total comprehensive income for the year		–	–	96,431	96,431	43,944	140,375
Transactions with owners							
Appropriation to statutory reserves	*25*	–	14,219	(14,219)	–	–	–
Deregistration of subsidiaries		–	(13)	–	(13)	–	(13)
Others	*13*	–	(100)	–	(100)	(96)	(196)
Total transactions with owners		–	14,106	(14,219)	(113)	(96)	(209)
Balance at 31 December 2022		226,000	200,114	301,003	727,117	195,445	922,562

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	35(a)	481,403	537,350	677,803
Income tax paid		(38,861)	(37,323)	(59,964)
Net cash generated from operating activities		442,542	500,027	617,839
Cash flows from investing activities				
Purchases of property, plant and equipment		(57,606)	(4,751)	(15,228)
Disposal of property, plant and equipment		3,765	21	819
Proceeds from finance lease of plant and equipment to a related party		–	4,197	4,197
Purchases of intangible assets		(212,966)	(300,333)	(273,685)
Disposal of intangible assets		–	5,000	15,552
(Increase)/decrease in restricted cash for deposit of capital expenditure		–	(38,826)	38,826
Dividends received from associates	13	3,679	–	3,200
Disposal of right-of-use-assets		35,280	–	–
Proceeds from financing arrangements with a third party (including repayments of principal and interest)		30,984	73,407	30,982
Purchase of financial assets at fair value through profit or loss	3.3(a)	(743,929)	(77,000)	(10,000)
Disposal of financial assets at fair value through profit or loss	3.3(a)	748,138	71,320	27,285
Loans provided to a related party	38(c)	(150,000)	–	–
Loans repaid by a related party	38(c)	–	110,000	40,000
Interest received from a related party	38(c)	–	11,918	498
Government grants received in relation to purchase of intangible assets	30	–	44,500	17,000
Interest received on bank deposits		2,519	1,822	2,696
Net cash used in investing activities		(340,136)	(98,725)	(117,858)
Cash flows from financing activities				
Payments for [**REDACTED**] expenses		(2,917)	(9,599)	(20,777)
Proceeds from borrowings	35(c)	995,200	501,000	846,014
Repayment of borrowings	35(c)	(889,549)	(748,359)	(976,577)
Installment payment for purchase of equipment	35(c)	(48,000)	–	–
Payments for lease liabilities	31, 35(c)	(5,078)	(4,020)	(3,375)
Installment payment for acquisition of intangible assets	35(c)	(36,752)	(14,408)	(19,067)
Dividends paid	35(c), 37	(13,290)	–	–
Refunds of guarantee deposits for borrowings		23,900	–	–
Restricted cash for guarantee deposits paid for bank borrowings		–	–	(11,100)
Repayment of loans from government	35(c)	–	(2,000)	(6,500)
Interest paid on lease liabilities	31, 35(c)	(1,218)	(1,465)	(1,386)
Interest paid on installment payable for acquisition of intangible assets	35(c)	(2,338)	(5,087)	(3,090)
Interest paid of installment payable for purchase of equipment	35(c)	(1,657)	–	–
Interest paid on borrowings		(85,056)	(73,005)	(62,240)
Net cash used in financing activities		(66,755)	(356,943)	(258,098)
Net increase in cash and cash equivalents		35,651	44,359	241,883
Cash and cash equivalents at beginning of the year		56,175	91,826	136,185
Cash and cash equivalents at end of the year	23	91,826	136,185	378,068

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, HISTORY OF THE GROUP AND DETAILS OF SUBSIDIARIES

1.1 General information

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

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the heat supply (including provision and distribution of heat and pipeline connection services), engineering construction services, design services and energy management services in the PRC.

The Company is controlled by Jiangsu Shuangliang Technology Company Limited (江蘇雙良科技有限公司) ("Shuangliang Technology") and Jiangsu Lichuang New Energy Company Limited (江蘇利創新能源有限公司) ("Jiangsu Lichuang"), both of which are held by Mr. Miao Shuangda (繆雙大先生), Mr. Miao Wenbin (繆文彬先生), Mr. Jiang Rongfang (江榮方先生), Mr. Ma Peilin (馬培林先生), Mr. Ma Fulin (馬福林先生), Mr. Miao Zhiqiang (繆志強先生), Mr. Miao Heida (繆黑大先生) and Ms. Miao Shuya (繆舒涯女士), the individual shareholders of the holding companies, as of the date of this Historical Financial Information and during the Track Record Period.

1.2 History of the Group

The Company was established on 3 September 2010 in the PRC as a limited liability company with registered capital of RMB50,000,000 under the name of Jiangsu Shuangliang Energy Management Contract Co., Ltd. (江蘇雙良合同能源管理有限公司) by Shuangliang Eco-Energy System Company Limited (雙良節能系統股份有限公司) ("Shuangliang Eco-Energy"), a company listed in the Shanghai Stock Exchange.

On 1 September 2014, the Company was renamed as Shuangliang Eco-Energy System (Jiangsu) Co., Ltd (雙良節能系統(江蘇)有限公司).

On 16 September 2015, Shuangliang Eco-Energy transferred its entire equity interest in the Company to Shuangliang Technology.

On 17 November 2015, the Company received capital injection of RMB100,000,000 from Shuangliang Technology and RMB76,000,000 from Jiangsu Lichuang and ten individual shareholders (the "Capital Injection"). After the Capital Injection, Shuangliang Technology, Jiangsu Lichuang and the ten individual shareholders held 66.38%, 22.58% and 11.04% equity interests in the Company, respectively.

On 3 December 2015, the Company was renamed as Wise Living Technology Company Limited (慧居科技有限公司), being the current name of the Company.

On 18 December 2015, the Company was converted from a limited liability company into a joint stock company with limited liability with registered capital of RMB226,000,000.

In July 2016, the Company obtained approval from The National Equities Exchange And Quotations Co., Ltd (the "NEEQ") for its shares to be listed on the NEEQ (stock code: 839023). The Company commenced trading of its shares on the NEEQ on 17 August 2016. The Company voluntarily delisted from the NEEQ in April 2018.

1.3 Subsidiaries

The Company has direct and indirect interests in the following subsidiaries:

Name of companies	Place and date of incorporation	Principal activities and place of operation	Registered and paid up capital	Effective interest held As at 31 December 2020	2021	2022	At the date of this report	*Note*
Directly held by the Company								
Wise Living Energy Technology Company Limited (慧居能源科技有限公司) ("Wise Living Energy")	PRC, 29 November 2016	Investment holding, the PRC	Registered and paid up capital of RMB150,000,000	100%	100%	100%	100%	*(i), (ii)*
Wise Living Times (Beijing) Technology Company Limited (慧居時代(北京)技術有限公司)	PRC, 15 December 2016	Technical services, the PRC	Registered and paid up capital of RMB1,000,000	100%	100%	100%	100%	*(i), (ii)*
Indirectly held by the Company								
Shanxi Shuangliang Renewable Energy Industry Group Company Limited (山西雙良再生能源產業集團有限公司) ("Shanxi Shuangliang Renewable Energy")	PRC, 15 February 2006	Investment holding, design and maintenance services, the PRC	Registered and paid up capital of RMB30,000,000	51%	51%	51%	51%	*(i), (ii)*
Taiyuan City Renewable Energy Heat Supply Company Limited (太原市再生能源供熱有限公司) ("Taiyuan Renewable Energy")	PRC, 22 May 2009	Heat supply, construction services and rental services, the PRC	Registered and paid up capital of RMB200,000,000	51%	51%	51%	51%	*(ii), (vi)*
Lvliang City Renewable Energy Heat Supply Company Limited (呂梁市再生能源供熱有限公司)	PRC, 23 September 2013	Heat supply, the PRC	Registered and paid up capital of RMB5,000,000	31%	46%	46%	46%	*(i), (ii), (x)*
Datong City Renewable Energy Heating Company Limited (大同市再生能源供熱有限公司)	PRC, 25 September 2009	Heat supply and construction services, the PRC	Registered and paid up capital of RMB5,000,000	36%	36%	36%	36%	*(i), (ii), (xi)*
Shanxi Transformation and Comprehensive Reform Demonstration Zone Heat Supply Company Limited (山西轉型綜合改革示範區供熱有限公司) ("Shanxi Demonstration Zone Heat Supply")	PRC, 19 September 2018	Heat supply, the PRC	Registered and paid up capital of RMB100,000,000	51%	51%	51%	51%	*(ii), (vii)*
Shanxi Smart Life Property Service Company Limited (山西惠生活物業服務有限公司)	PRC, 9 November 2016	Property management services, the PRC	Registered capital of RMB1,000,000 and paid up capital of nil	51%	51%	51%	51%	*(i), (ii)*

Name of companies	Place and date of incorporation	Principal activities and place of operation	Registered and paid up capital	Effective interest held As at 31 December 2020	2021	2022	At the date of this report	*Note*
Indirectly held by the Company								
Shuozhou City Renewable Energy Thermal Company Limited (朔州市再生能源熱力有限公司) ("Shuozhou Renewable Energy")	PRC, 23 May 2011	Heat supply, the PRC	Registered and paid up capital of RMB150,000,000	51%	51%	51%	51%	*(ii), (vii)*
Shanxi Shuangliang Carbon Trading Management Company Limited (山西雙良碳交易管理有限公司)	PRC, 6 May 2016	Carbon asset operation and management services, the PRC	Registered capital of RMB10,000,000 and paid up capital of nil	51%	51%	51%	51%	*(i), (ii)*
Shanxi Shuangliang New Energy Thermoelectric Engineering Design Company Limited (山西雙良新能源熱電工程設計有限公司) ("Shanxi Shuangliang New Energy")	PRC, 6 June 2016	Design services, the PRC	Registered capital of RMB8,000,000 and paid up capital of nil	51%	51%	51%	51%	*(ii), (vi)*
Gansu Shuangliang Energy System Investment Company Limited (甘肅雙良能源系統投資有限公司) ("Gansu Shuangliang")	PRC, 27 February 2013	Investment holding, the PRC	Registered and paid up capital of RMB10,000,000	80%	80%	80%	80%	*(i), (ii)*
Lanzhou New Area Shuangliang Thermal Power Company Limited (蘭州新區雙良熱力有限公司) ("Lanzhou Shuangliang")	PRC, 31 July 2013	Heat supply, the PRC	Registered and paid up capital of RMB20,000,000	80%	80%	80%	80%	*(ii), (viii)*
Gansu Shuangliang Smart Energy Management Company Limited (甘肅雙良智慧能源管理有限公司) ("Gansu Smart Energy")	PRC, 6 July 2016	Energy management services, the PRC	Registered and paid up capital of RMB10,000,000	80%	80%	80%	80%	*(i), (ii)*
Lanzhou Wise Living Thermal Engineering Company Limited (蘭州慧居熱力工程有限公司)	PRC, 27 August 2018	Construction and installation services, the PRC	Registered capital of RMB10,000,000 and paid up capital of nil	80%	80%	N/A	N/A	*(i), (ii), (iv)*
Hulunbuir Shuangliang Energy System Company Limited (呼倫貝爾雙良能源系統有限公司) ("Hulunbuir Shuangliang")	PRC, 11 March 2013	Heat supply, the PRC	Registered and paid up capital of RMB10,000,000	85%	85%	85%	85%	*(ii), (ix)*
Zhengzhou Wise Living Thermal Power Company Limited (鄭州慧居熱力有限公司) ("Zhengzhou Wise Living")	PRC, 17 November 2018	Heat supply, the PRC	Registered capital of RMB30,000,000 and paid up capital of nil	100%	100%	100%	100%	*(i), (ii)*

Name of companies	Place and date of incorporation	Principal activities and place of operation	Registered and paid up capital	Effective interest held As at 31 December 2020	2021	2022	At the date of this report	*Note*
Indirectly held by the Company								
Inner Mongolia Wise Living Tianlang Clean Energy Company Limited (內蒙古慧居天朗清潔能源有限公司)	PRC, 28 June 2018	Heat supply, engineering design, construction, installation and maintenance services, the PRC	Registered and paid up capital of RMB10,000,000	67%	78%	78%	78%	*(i), (ii), (xii)*
Hohhot Wise Living Clean Energy Company Limited (呼和浩特慧居清潔能源有限公司)	PRC, 17 May 2019	Heat supply, the PRC	Registered capital of RMB10,000,000 and paid up capital of nil	85%	N/A	N/A	N/A	*(i), (ii), (iii)*
Wise Living Energy Technology (Gansu) Limited (慧居能源科技(甘肅)有限公司) ("Wise Living Energy (Gansu)")	PRC, 31 December 2020	Energy management services, the PRC	Registered capital of RMB10,000,000 and paid up capital of nil	100%	100%	N/A	N/A	*(i), (ii), (v)*
Wise Living Energy (Baotou) Limited (慧居能源(包頭)有限公司)	PRC, 26 November 2020	Heat supply, the PRC	Registered capital of RMB10,000,000 and paid up capital of nil	100%	100%	100%	100%	*(i), (ii)*
Wise Living Tech-Thermal Power (Zhengzhou) Limited (慧居科技熱力(鄭州)有限公司)	PRC, 10 December 2020	Heat supply, the PRC	Registered capital of RMB50,000,000 and paid up capital of RMB40,000,000.	80%	80%	80%	80%	*(i), (ii)*
Taixin Renewable Energy Heating (Shanxi) Company Limited (太忻再生能源供熱(山西)有限公司)	PRC, 23 March 2022	Heat supply, the PRC	Registered capital of RMB50,000,000 and paid up capital of nil	N/A	N/A	51%	51%	*(i), (ii)*
Shanxi Xixian Shuangliang Low Carbon Environmental Clean Energy Company Limited (山西省隰縣雙良低碳環保清潔能源有限公司)	PRC, 12 October 2022	Heat supply, the PRC	Registered capital of RMB8,000,000 and paid up capital of nil	N/A	N/A	51%	51%	*(i), (ii)*

Notes:

(i) No audited financial statements have been prepared for the subsidiary for the years ended 31 December 2020, 2021 and 2022, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

(ii) The English names of the subsidiaries represent management's best effort in translating their Chinese names as they do not have official English names.

(iii) This subsidiary was deregistered on 2 August 2021.

(iv) This subsidiary was deregistered on 27 May 2022.

(v) This subsidiary was deregistered on 22 June 2022.

(vi) The entity was audited by Shanxi Ruiming Certified Public Accountants Co., Ltd. in 2020 and 2021.

(vii) The entity was audited by Shanxi Qianyuan Certified Public Accountants (Co., Ltd.) in 2020, and was audited by Shanxi Ruiming Certified Public Accountants Co., Ltd. in 2021.

(viii) The entity was audited by Gansu Rongzhi Certified Public Accountants (General Partnership) in 2020 and 2021.

(ix) The entity was audited by Inner Mongolia Junye Certified Public Accountants (General Partnership) in 2020 and 2021.

(x) On 2 February 2021, Taiyuan Renewable Energy acquired an additional 30% equity interest in Lvliang City Renewable Energy Heat Supply Company Limited. The entity is 90% owned by Taiyuan Renewable Energy.

(xi) The entity is 70% owned by Taiyuan Renewable Energy.

(xii) On 17 March 2021, the Group acquired an additional 10.89% equity interest in Inner Mongolia Wise Living Tianlang Clean Energy Company Limited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of significant accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied to all the years presented, unless otherwise stated. The Historical Financial Information is for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRSs") and related interpretations issued by the International Accounting Standards Board (the "IASB").

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

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

As at 31 December 2022, the Group had net current liabilities of RMB551,822,000. The net current liabilities included contract liabilities amounted to RMB440,546,000 which represented the advance receipts from customers in relation to heat supply and pipeline connection fees. Such contract liabilities will normally be recognised as revenue in subsequent years and will not involve cash outflow in the future. Meanwhile, the Group's total borrowings as at 31 December 2022 amounted to RMB881,214,000 of which RMB246,750,000 are classified as current liabilities, while its cash and cash equivalents amounted to RMB378,068,000 as at the same date.

Management closely monitors the Group's financial performance and liquidity position. The cash inflow generated from the Group's operating activities for each of the three years ended 31 December 2020, 2021 and 2022 amounted to RMB442,542,000, RMB500,027,000 and RMB617,839,000, respectively. The Group also planned its capital expenditures activities in a conservative manner to avoid an excessively high liquidity risk exposure. In addition, management proactively managed the financing structure of the Group and was able to renew the short-term borrowings and raise new borrowings during the Track Record Period as necessary. Although the Group failed to comply with certain financial covenants of two long-term bank borrowings during the Track Record Period, it successfully obtained waivers from strict compliance with the financial covenants from the relevant banks (Note 28(e)).

As at 31 December 2022, the Group had unused banking facilities amounting to RMB824 million, of which RMB60 million is available to the Group up to June 2023, RMB125 million is available to the Group up to July 2023 and could be extended to July 2024, RMB489.5 million is available to the Group up to April 2024, and the remaining RMB149.5 million is available to the Group up to December 2030.

The directors of the Company (the "Directors") have reviewed the Group's cash flow projections for a period of not less than twelve months from the balance sheet date, made due enquiries with management and considered the bases and assumptions of the projections. The Directors are of the opinion that, taking into account the Group's projected financial performance and operating cash inflows, the capital expenditures plans, the continuous availability of existing facilities, the Group will have sufficient financial resources to support its operations and to meet its financial obligations as and when they fall due in at least the coming twelve months from 31 December 2022. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

(a) New standards or amendments not yet adopted

Up to the date of this Historical Financial Information, the following issued new standards or amendments are not yet effective and have not been early adopted by the Group:

		Effective for the accounting periods beginning on or after
IFRS 17	Insurance contracts	January 1, 2023
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies	January 1, 2023
IAS 8 (Amendments)	Definition of accounting estimates	January 1, 2023
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
IFRS 16 (Amendments)	Leases liability in a sale and leaseback	January 1, 2024
IAS 1 (Amendments)	Classification of liabilities as current or non-current	January 1, 2024
IAS 1 (Amendments)	Non-current liabilities with covenants	January 1, 2024
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or amended standards. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of changes in equity and statements of financial position, respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

(c) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income ("OCI") of the investee in OCI. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of such entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in OCI are reclassified to profit or loss where appropriate.

2.3 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprised the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Since the assets and operations of the Group are located in the PRC, the Historical Financial Information are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within other losses – net.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation, net of accumulated impairment losses, if any. Historical cost includes expenditures that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

	Useful lives
Buildings	30 years
Pipeline and heating equipment	20 years
Machinery and equipment	5-20 years
Transportation equipment	5 years
Office and electronic equipment	3 years
Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'other losses – net' in the consolidated statements of comprehensive income.

Construction in progress represents machinery and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.8 Investment properties

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

2.9 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) Software

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

(c) Operating concessions

The detailed accounting policy of operating concessions is depicted in Note 2.10.

(d) Amortisation methods and periods

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

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

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

(e) Research and development expenditure

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

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

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

2.10 Service concession arrangements

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

Under these service concession arrangements:

- the Grantors control or regulate the services the Group must provide with the infrastructure, to whom it must provide them, and at what price; and

- the Grantors control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the terms of the arrangements.

(a) Consideration given by the Grantors

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

Revenue relating to the operating concession is accounted for in accordance with Note 2.27 "Revenue recognition" below. Costs for operating the services are expensed in the period in which they are incurred.

(b) Construction services

The fair value of the construction services under the concession arrangement is calculated as the estimated total construction cost plus a profit margin. The profit margins are assessed by the Directors with reference to the report issued by independent valuer, based on the prevailing market rate applicable to similar construction services at the date of the service concession arrangement. Revenue relating to the construction services is accounted for in accordance with Note 2.27 "Revenue recognition" below.

(c) Contractual obligations to maintain or restore the infrastructure

The Group has contractual obligations which it must fulfil as a condition of its licenses, that is (i) to maintain the heat supply facilities it operates to a specified level of service quality; and (ii) to restore the heat supply facilities to a specified condition before they are handed over to the Grantors at the end of the Operation Period. These contractual obligations to maintain and restore the heat supply facilities, except for upgrade element, are recognised and measured in accordance with Note 2.26 "Provision" below.

2.11 Impairment of non-financial assets

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

2.12 Financial assets

2.12.1 Classification

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

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

- those to be measured at amortised cost.

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

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

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

2.12.2 Recognition and derecognition

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

2.12.3 Measurement

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

Debt instruments

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

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

- Fair value through OCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statements of comprehensive income and recognised in 'other gain/(losses) – net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and impairment expenses are presented as separate line item in the consolidated statements of comprehensive income.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through OCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in 'other gain/(losses) – net' in the period in which it arises.

Equity instruments

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

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

2.13 Impairment of financial assets

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

– trade receivables;

– contract assets;

– other receivables and deposits; and

– cash and cash equivalents and restricted cash.

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

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

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

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

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

2.15 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Revenue arising from the provision and distribution of heat is recognised on a straight-line basis over the scheduled period and cash received in advance were recognised as contract liabilities.

Revenue arising from pipeline connection fees is recognised on a straight-line basis over the Operation Period and cash received in advance were recognised as contract liabilities.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Trade and other receivables

Trade receivables are amounts due from customers for services provided in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less allowance for impairment.

2.18 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less.

2.19 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

When there is a benefit of a government loan that is granted at a below-market interest rate, the benefit is treated as a government grant.

2.21 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Trade payables and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting date. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loans to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fees are deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facilities will be drawn down, the fees are capitalised as a prepayment for liquidity services and amortised over the period of the facilities to which they relate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the reporting period.

2.23 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment relating to specific borrowings pending their expenditures on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.24 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

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

2.25 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

(b) Employment obligations

Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans and other employee social security plans, including pension, medical, other welfare benefits, organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.26 Provision

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

The operator of an operating concession normally has contractual obligations it must fulfil as a condition of its license (i) to maintain the infrastructure to a specified level of service quality; and (ii) to restore the infrastructure to a specified condition before it is handed over to the Grantor at the end of the service arrangement. These contractual obligations to maintain or restore the infrastructure, except for any upgrade element, shall be recognised in the consolidated statements of financial position and measured in accordance with IAS 37 at the best estimate of the expenditures that will be required to settle the contractual obligations.

2.27 Revenue recognition

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

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

- when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- when the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- when the Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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

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

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

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

(b) Engineering construction services

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

(c) Pipeline connection fees

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

(d) Heat transmission services

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

(e) Sale of goods

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

(f) Energy management services

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

(g) Designing services

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

2.28 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares, (if any).

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.29 Interest income

Interest income from financial assets at fair value through profit or loss is included in the gains on these assets, see Note 7 below.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as finance income, see Note 10 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.30 Leases

The Group as the lessee

The Group leases various land and properties for its operations. Rental contracts are typically made for fixed periods of 1 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Group as the lessor

Rental income from operating leases where the Group is a lessor is recognised in other income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statements of financial position based on their nature.

Finance leases, which effectively transfer to the lessee substantially all the risks and rewards of ownership of the asset, are recognised at the inception of the lease term at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease receipts are apportioned between the finance income and reduction of the leased asset so as to achieve a constant rate of interest on the remaining balance of the asset. Finance income is charged directly to profit or loss.

2.31 Dividend

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.32 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under IFRS 9, 'Financial Instruments', and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The principal activities of the Group are operated in the PRC. The exposure to foreign exchange risk is insignificant given the business activities of the Group are all denominated in RMB.

(ii) Cash flow and fair value interest rate risk

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

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

As at 31 December 2020, 2021 and 2022, borrowings of the Group which were bearing at floating rates amounted to RMB286,118,000, RMB271,923,000 and RMB437,575,000, respectively. As at 31 December 2020, 2021 and 2022, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged, the finance costs of the Group would increase/decrease by approximately RMB1,431,000, RMB1,360,000 and RMB2,188,000, respectively.

(b) Credit risk

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

(i) Risk management

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

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

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

The maximum exposure arising from the provision of financial guarantee to the borrowing of an associate amounted to approximately RMB7,200,000 and RMB7,200,000 as at 31 December 2020 and 2021, respectively. Such borrowing had not been overdue or underperforming. Based on the results of management's credit risk assessment, the corresponding expected credit loss provision was not material and therefore no financial guarantee liability had been recognised in the Group's consolidated statements of financial position. Such borrowing was fully repaid by the associate in the year ended 31 December 2022.

(ii) Impairment of financial assets

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

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

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

Trade receivables (excluding notes receivable) and contract assets

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

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

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

Non-government customers (excluding energy management services)-assessed based on grouping

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Trade receivables					
At 31 December 2020					
Expected loss rate	2.80%	10.34%	24.22%	82.16%	
Gross carrying amount (RMB'000)	159,928	52,753	6,094	6,620	225,395
Loss allowance provision (RMB'000)	4,478	5,457	1,476	5,439	16,850
At 31 December 2021					
Expected loss rate	3.26%	11.05%	36.72%	96.52%	
Gross carrying amount (RMB'000)	162,056	57,024	12,341	10,261	241,682
Loss allowance provision (RMB'000)	5,279	6,299	4,531	9,904	26,013
At 31 December 2022					
Expected loss rate	3.92%	13.02%	36.77%	97.62%	
Gross carrying amount (RMB'000)	276,160	51,665	15,359	14,718	357,902
Loss allowance provision (RMB'000)	10,835	6,729	5,647	14,368	37,579

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

Trade receivables	
At 31 December 2022	
Expected loss rate	100.00%
Gross carrying amount (RMB'000)	9,838
Loss allowance provision (RMB'000)	9,838

The Group individually assessed the recoverability of the balance with certain non-government customers as at 31 December 2022 as significant increase in credit risk were identified.

Government customer in relation to price subsidy

Trade receivables	
At 31 December 2020	
Expected loss rate	0.18%
Gross carrying amount (RMB'000)	156,476
Loss allowance provision (RMB'000)	276
At 31 December 2021	
Expected loss rate	0.17%
Gross carrying amount (RMB'000)	122,260
Loss allowance provision (RMB'000)	203
At 31 December 2022	
Expected loss rate	0.15%
Gross carrying amount (RMB'000)	156,228
Loss allowance provision (RMB'000)	228

Energy management services customer

The Group assesses the relevant trade receivables individually.

Trade receivables	
At 31 December 2020	
Expected loss rate	58.78%
Gross carrying amount – trade receivables (RMB'000)	15,184
Gross carrying amount – lease receivables (RMB'000)	152,106
Loss allowance provision (RMB'000)	98,327
At 31 December 2021	
Expected loss rate	51.74%
Gross carrying amount – trade receivables (RMB'000)	17,793
Gross carrying amount – lease receivables (RMB'000)	151,843
Loss allowance provision (RMB'000)	87,769
At 31 December 2022	
Expected loss rate	32.35%
Gross carrying amount – trade receivables (RMB'000)	1,612
Gross carrying amount – lease receivables (RMB'000)	131,095
Loss allowance provision (RMB'000)	42,936

Government customer in relation to construction services

Contract assets	
At 31 December 2020	
Expected loss rate	0.41%
Gross carrying amount (RMB'000)	44,319
Loss allowance provision (RMB'000)	182
At 31 December 2021	
Expected loss rate	0.55%
Gross carrying amount (RMB'000)	58,994
Loss allowance provision (RMB'000)	323
At 31 December 2022	
Expected loss rate	0.44%
Gross carrying amount (RMB'000)	14,674
Loss allowance provision (RMB'000)	64

The loss allowance provision for trade receivables and contract assets as at 31 December 2020, 2021 and 2022 reconciles to the opening loss allowance as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	102,229	115,635	114,308
Provision/(reversal) of loss allowance recognised in profit or loss	13,406	(1,327)	(23,663)
At the end of the year	115,635	114,308	90,645

During the Track Record Period, the provision/reversal of loss allowances were recognised in profit or loss in "Provision/reversal of impairment losses on financial assets and contract assets" in relation to the impaired trade receivables and contract assets.

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

Other receivables

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

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;

- actual or expected significant changes in the operating results of the debtor;

- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of the debtors.

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

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

The loss allowance provision for other receivables and deposits (excluding prepayments) as at 31 December 2020, 2021 and 2022 reconciles to the opening loss allowance for that provision as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	4,000	4,142	4,474
Provision for loss allowance recognised in profit or loss	142	332	545
At the end of the year	4,142	4,474	5,019

(c) *Liquidity risk*

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

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

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

	Less than 1 year or on demand	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020					
Lease liabilities	2,795	5,056	9,175	13,775	30,801
Borrowings	969,663	26,769	177,651	177,436	1,351,519
Trade and other payables excluding non-financial liabilities	916,417	37,462	29,243	5,900	989,022
Guarantee *(Note 38 (g))*	7,200	–	–	–	7,200
Total	1,896,075	69,287	216,069	197,111	2,378,542
As at 31 December 2021					
Lease liabilities	2,818	3,442	8,582	10,925	25,767
Borrowings	497,228	350,610	188,272	111,534	1,147,644
Trade and other payables excluding non-financial liabilities	765,589	26,293	4,425	4,425	800,732
Guarantee *(Note 38 (g))*	7,200	–	–	–	7,200
Total	1,272,835	380,345	201,279	126,884	1,981,343
As at 31 December 2022					
Lease liabilities	2,212	3,358	9,777	9,895	25,242
Borrowings	283,829	82,573	468,003	193,182	1,027,587
Trade and other payables excluding non-financial liabilities	912,562	1,475	4,425	2,950	921,412
Total	1,198,603	87,406	482,205	206,027	1,974,241

The table above includes a term loan amounting to RMB193,000,000, RMB179,000,000, and nil as at 31 December 2020, 2021 and 2022 which is classified as repayable on demand because of the breach of certain covenants or financial undertakings stipulated in the relevant loan agreement. The table below summarises the maturity analysis of such term loan based on the original scheduled repayment dates set out in the loan agreement. The amounts in the table below include interest payments computed using implicit interest rate. In March 2022, the Group obtained from the lending bank a letter of waiver from strict compliance with the relevant financial covenants. Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The Directors believe that such term loan will be repaid in accordance with the original scheduled repayment dates set out in the loan agreement.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020					
Bank borrowings	23,305	22,610	77,941	120,575	244,431
As at 31 December 2021					
Bank borrowings	22,610	24,396	82,427	91,693	221,126
As at 31 December 2022					
Bank borrowings	N/A	N/A	N/A	N/A	N/A

3.2 Capital management

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

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

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

The gearing ratio as at 31 December 2020, 2021 and 2022 were as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Borrowings	1,308,636	1,061,277	881,214
Lease liabilities	23,557	19,975	19,682
Loans from government	28,724	28,067	22,498
Amounts advanced from a related party	700	700	700
Less: Cash and cash equivalents	(91,826)	(136,185)	(378,068)
Net debt	1,269,791	973,834	546,026
Total equity	612,685	782,396	922,562
Gearing ratio	207%	124%	59%

The gearing ratio decreased from 207% in 2020 to 59% in 2022 because of the Group's strong operating cash inflows during the Track Record Period which were utilised to repay the Group's borrowings, as well as the gradual increase in owners' equity resulted from the Group's profitable operations during the Track Record Period.

3.3 Fair value estimation

(a) Financial assets

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

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

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

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

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

As at 31 December 2020, 2021 and 2022, the Group had no level 1 and level 2 financial instruments.

There were no transfers among levels 1, 2 and 3 for recurring fair value measurements of the financial instruments during the Track Record Period.

The following table presents the changes in level 3 financial instruments during the Track Record Period.

	Financial assets at fair value through profit or loss Wealth management products		
	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	14,043	11,041	17,139
Additions	743,929	77,000	10,000
Gains recognised in profit or loss	1,207	418	146
Disposals	(748,138)	(71,320)	(27,285)
At end of the year	11,041	17,139	–
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period	41	100	–

The Group adopts various techniques to determine the fair value of the Group's level 3 financial instruments.

The unobservable inputs are expected return rates. The higher the expected return rates, the higher the fair value. The expected annual return rates of the investments in wealth management products with floating rates range from 2.10% to 3.88% per annum during the Track Record Period. As at 31 December 2020, 2021 and 2022, if the expected annual return rates had been 50 basis points higher/lower with all other variables were held constant, the fair value of the investments in wealth management products would have been approximately RMB55,000, RMB86,000 and nil higher/lower, respectively. The impact from discounted rate was immaterial due to the reason that the maturity of the wealth management products was short.

The carrying amounts of the Group's financial assets and liabilities, including cash and cash equivalents, restricted cash, trade receivables and other receivables and deposits (excluding prepayments), borrowings, trade and other payables (excluding non-financial liabilities) and lease liabilities approximated their fair values due to their short maturities or their interest rates are considered as close to the current market rates.

(b) Non-financial assets

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Service concession arrangements

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

According to the relevant service concession agreements, competitive modes, such as public biddings, are adopted at the expiry of the service concession arrangements to re-select the concession grantee and the Group has preferential rights to renew its concession rights if the Group provides to the Grantors the same offer as other potential competitors. In the opinion of the Directors, the Group is not able to control the renewal of the concession agreements as an open tender is required by law and the result of such open tender is uncertain. Thus, the Directors exercise significant judgement and account for the Group's infrastructure under IFRIC12 "Service Concession Arrangements" rather than under IAS 16 "Property, Plant and Equipment".

The fair value of the construction service under the concession arrangements is calculated as the estimated total construction cost plus a profit margin which ranged from 14.60% to 16.35% during the Track Record Period. The profit margin was determined by the management with reference to the report issued by independent valuer, based on the prevailing market rates applicable to similar construction services. Revenue relating to construction services is accounted for in accordance with the accounting policy in Note 2.27.

(b) Impairment assessment of intangible assets

The carrying value of intangible assets are reviewed for impairment annually or when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in Note 2.11 above. The recoverable amount for impairment assessment is the higher of its fair value less costs of disposal and value-in-use. The determination of recoverable amount involves significant estimates. Estimating the value-in-use requires the Group to make estimates for future cash flows and to determine appropriate discount rates and other assumptions as disclosed in Note 17. A change in such estimates will result in an adjustment to the estimated impairment provision.

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

The Group depreciates the property, plant and equipment in accordance with the accounting policies as set out in Note 2.7. The estimated useful lives reflect the Director's estimates of the periods that the Group intends to derive future economic benefits from the use of these assets.

(d) Expected credit loss for receivables

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

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

(e) Current tax and deferred income tax

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

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

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

(f) Revenue recognition of price subsidies from local government

The Group recognises price subsidies from local government as revenue for the provision of heat over the scheduled period as described in Note 2.27(a).

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

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

5 REVENUE AND SEGMENT INFORMATION

(a) Revenue from contract with customers

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contract with customers:			
– Provision and distribution of heat	907,848	960,942	1,015,218
– Consideration from customers	739,940	778,442	853,542
– Price subsidies from local government	167,908	182,500	161,676
– Engineering construction services	362,050	229,147	301,567
– Pipeline connection fees	65,429	74,211	83,725
– Heat transmission services	16,961	14,533	5,521
– Sale of goods	16,344	5,756	23,581

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
– Energy management services	4,157	3,972	3,002
– Designing services	1,658	518	6,585
– Others	1,874	1,556	4,533
	1,376,321	1,290,635	1,443,732
Timing of revenue recognition:			
– At a point in time	36,837	22,363	38,570
– Over time	1,339,484	1,268,272	1,405,162
	1,376,321	1,290,635	1,443,732

Management has determined the operating segments based on the reports reviewed by the CODM.

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

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

As at 31 December 2020, 2021 and 2022, all of the non-current assets were located in the PRC or arisen from transaction as conducted in the PRC.

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

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Customer 1	399,864	201,099	206,491

(b) Assets related to contracts with customers

(i) Unsatisfied long-term service contract

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

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Aggregate amount of the transaction price allocated to long-term energy management services contracts that are partially or fully unsatisfied			
– within one year	3,972	3,488	2,480
– over one year	31,774	28,286	26,292
	35,746	31,774	28,772

(ii) Contract assets

The Group has recognised the following assets related to contracts with a government customer:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets recognised for costs incurred to fulfil contracts	44,319	58,994	14,674
Loss allowance	(182)	(323)	(64)
	44,137	58,671	14,610

Contract assets were recognised as the Group provided engineering construction services during the Track Record Period, which were pending certification by the related government customer. When certification has been completed and the Group obtains the right to receive the unconditional consideration, the contract assets will be recognised as account receivables.

6 OTHER INCOME

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Government grants (a)	32,518	58,722	37,472
Rental income	15,866	14,862	16,270
	48,384	73,584	53,742

Note:

(a) There are no unfulfilled conditions or other contingencies attaching to these government grants.

7 OTHER LOSSES – NET

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Fair value losses of investment properties *(Note 15)*	(6,300)	(2,000)	(5,300)
Gains on disposal and deregistration of subsidiaries	72	4	39
Gains on investments in wealth management products, net	1,207	418	146
Gains/(losses) on disposal of property, plant and equipment, net	3,443	(119)	242
Gains on disposal of intangible assets	–	462	1,086
Others	1,421	1,216	184
	(157)	(19)	(3,603)

8 EXPENSES BY NATURE

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

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Costs for purchases of heat	380,312	376,447	400,948
Construction costs of engineering construction services	315,481	198,908	261,767
Amortisation of intangible assets *(Note 17)*	166,050	184,282	194,934
Materials consumed	79,657	90,423	129,994
Employee benefit expenses *(Note 9)*	77,424	89,962	91,617
Utility costs	72,361	74,920	71,142
Maintenance expenses	16,488	13,246	19,229
Depreciation of property, plant and equipment *(Note 14)*	11,510	12,763	15,230
Cost of goods sold	13,294	1,944	12,555
Entertainment expenses	11,012	12,497	10,672
Impairment of Intangible assets *(Note 17)*	–	–	9,398
Other taxes and surcharges	7,298	5,901	6,468
Travelling expenses	7,920	6,652	5,795
Depreciation of right-of-use assets *(Note 16)*	3,113	4,780	4,615
[**REDACTED**] expenses	–	299	3,597
Consulting and professional service fees	4,366	6,466	2,848
Short-term lease expenses *(Note 31)*	1,209	2,022	2,220
Office expenses	1,988	1,730	1,640
Auditors' remuneration	891	1,320	858
Others	39,508	33,713	40,913
	1,209,882	1,118,275	1,286,440

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Wages and bonuses	68,587	72,935	73,060
Pension costs – defined contribution plans	696	6,081	6,889
Other post-employment benefits	4,949	5,915	5,689
Other social security costs	3,192	5,031	5,979
	77,424	89,962	91,617

(a) Pensions – defined contribution plans

No forfeited contributions were available and utilised by the Group to reduce its future pension contributions for the years ended 31 December 2020, 2021 and 2022.

According to the policies issued by the Ministry of Human Resources and Social Security and local municipal departments of the PRC, social security contributions relief policies were implemented by the local authorities in response to the adverse financial impact to the society caused by the Corona-virus Disease 2019. As such, the social security related expenses were partially reduced or exempted during the year ended 31 December 2020.

(b) Five highest paid individuals

For the years ended 31 December 2020, 2021 and 2022, the five individuals whose emoluments were the highest in the Group included 3 directors, 3 directors and 1 supervisor, 4 directors respectively, whose emoluments are reflected in the analysis shown in Note 9(c), while the emoluments payable to the remaining 2, 1 and 1 highest paid individuals respectively are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	576	–	–
Contribution to pension scheme	3	–	–
Discretionary bonuses	1,037	2,200	950
	1,616	2,200	950

The emoluments fell within the following bands:

	Year ended 31 December		
	2020	**2021**	**2022**
Emolument bands (HKD)			
Nil – 1,000,000	1	–	–
1,000,001 – 2,000,000	1	–	1
2,000,001 – 3,000,000	–	1	–

(c) Directors' emoluments

Year ended 31 December 2020	**Fees**	**Salary**	**Discretionary bonuses**	**Allowance and benefits in kind**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Li Baoshan (李寶山)	–	514	1,750	15	2,279
Geng Ming (耿鳴) *(note (i))*	–	580	1,750	39	2,369
Luo Wei (羅偉)	–	170	600	37	807
Non-executive directors					
Miao Wenbin (繆文彬) *(note (iv))*	–	–	–	–	–
Ma Fulin (馬福林) *(note (iv))*	–	–	–	–	–
Supervisors					
Ma Pelin (馬培林)	–	–	–	–	–
Liu Zhigang (劉志剛)	–	156	380	10	546
Chen Zhen (陳振) *(note (iii))*	–	–	–	–	–
	–	1,420	4,480	101	6,001

Year ended 31 December 2021	Fees	Salary	Discretionary bonuses	Allowance and benefits in kind	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Li Baoshan (李寶山)	–	502	2,700	36	3,238
Geng Ming (耿鳴)	–	577	2,200	77	2,854
Luo Wei (羅偉)	–	169	600	74	843
Hu Xirong (胡錫榮) *(note (v))*	–	44	43	5	92
Non-executive directors					
Miao Wenbin (繆文彬)	–	–	–	–	–
Ma Fulin (馬福林)	–	–	–	–	–
Supervisors					
Ma Pelin (馬培林)	–	–	–	–	–
Liu Zhigang (劉志剛)	–	156	716	72	944
Chen Zhen (陳振)	–	–	–	–	–
	–	1,448	6,259	264	7,971

Year ended 31 December 2022	Fees	Salary	Discretionary bonuses	Allowance and benefits in kind	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Li Baoshan (李寶山)	–	514	2,162	38	2,714
Geng Ming (耿鳴)	–	584	1,660	97	2,341
Luo Wei (羅偉)	–	177	600	96	873
Hu Xirong (胡錫榮)	–	341	312	30	683
Non-executive directors					
Miao Wenbin (繆文彬)	–	–	–	–	–
Ma Fulin (馬福林)	–	–	–	–	–
Supervisors					
Ma Pelin (馬培林)	–	–	–	–	–
Liu Zhigang (劉志剛)	–	252	240	76	568
Chen Zhen (陳振)	–	–	–	–	–
	–	1,868	4,974	337	7,179

(i) Mr. Geng Ming (耿鳴) is the chairman of the board and the chief executive officer of the Company during the Track Record Period.

(ii) No directors waived any emoluments and no emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as a compensation for loss of office during the Track Record Period.

(iii) Mr. Chen Zhen (陳振) were appointed as a supervisor in April 2020.

(iv) Mr. Miao Wenbin (繆文彬) and Mr. Ma Fulin (馬福林) were appointed as non-executive directors in April 2020.

(v) Mr. Hu Xirong (胡錫榮) was appointed as an executive director in November 2021.

(vi) Independent non-executive directors have not been appointed during the Track Record Period.

(d) Directors' retirement benefits

No retirement benefits were paid to or receivable by any directors in respect of their services in connection with the management of the affairs of the Company or its subsidiary undertakings during the Track Record Period.

(e) Directors' termination benefits

No termination benefits were paid to the directors as compensation for the early termination of appointment during the Track Record Period.

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

No consideration was provided to or receivable by any third party for making available directors' services during the Track Record Period.

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

No loans, quasi-loans or other dealings were entered into by the Company in favour of any directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

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

Save as disclosed in Note 38, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

10 FINANCE INCOME AND COSTS

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Finance income:			
Interest income derived from bank deposits	2,519	1,822	2,696
Interest income from financing arrangements *(Note 20(a))*	17,462	13,659	10,877
Interest income from finance lease to a related party *(Note 38(c))*	1,320	1,468	1,334
Interest income from lease receivables	692	4,813	10,983
Interest income from loans to a related party *(Note 38(c))*	4,400	7,592	424
	26,393	29,354	26,314
Finance costs:			
Interest expenses on borrowings	(85,659)	(72,686)	(62,858)
Interest expenses on lease liabilities	(1,218)	(1,465)	(1,386)
Interest expenses on installment payable for acquisition of intangible assets	(2,338)	(5,087)	(3,090)
Interest expenses on installment payable for purchase of equipment	(1,657)	–	–
Interest expenses on loans from government	(1,342)	(1,343)	(931)
Unwinding of provision	(652)	(922)	(1,156)
Loss from modification of lease receivables *(a)*	–	–	(14,644)
	(92,866)	(81,503)	(84,065)
Finance costs – net	(66,473)	(52,149)	(57,751)

(a) In February 2022, the Group signed an addendum to a supplemental agreement containing payment schedule with its energy management services customer to modify the contract terms including extension of the payment terms from 10 years to 14 years and also change the calculation method for the annual repayment amount, resulting a modification loss of RMB14,644,000 recognised immediately.

11 INCOME TAX EXPENSE

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Current income tax			
– PRC corporate income tax	47,095	53,858	60,337
Deferred income tax *(Note 32)*	(1,484)	(18,187)	(14,376)
	45,611	35,671	45,961

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

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	143,927	206,731	186,336
Tax calculated at 25%	35,982	51,683	46,584
Tax effects of:			
– Preferential income tax rates applicable to certain subsidiaries	(18,966)	(23,211)	(25,434)
– Share of profit of associates accounted for using the equity method	(1,284)	(1,726)	(2,124)
– Super deduction for research and development expenditures	(510)	(786)	(1,309)
– Expenses not deductible for taxation purposes	3,954	2,972	2,063
– Temporary differences not recognised for deferred income tax	(182)	(108)	(147)
– Tax losses not recognised for deferred income tax	26,630	6,858	26,614
– Utilisation of previously unrecognised tax losses	–	(10)	(276)
– Income not subject to tax	(13)	(1)	(10)
	45,611	35,671	45,961

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

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowance. The general PRC CIT rate is 25% during the Track Record Period.

Taiyuan Renewable Energy was approved as a high and new technology enterprise in 2018 and was subject to a preferential CIT rate of 15% from 2018 to 2020 according to the relevant CIT laws. In December 2021, Taiyuan Renewable Energy was approved for the renewal as a high and new technology enterprise for three years from 2021 to 2023, and a preferential CIT rate of 15% has been applied. In September 2019, Shanxi Shuangliang New Energy was qualified as a high and new technology enterprise and entitled to enjoy a preferential CIT rate of 15% from 2019 to 2021 and was approved for the renewal as a high and new technology enterprise in 2022. The applicable income tax rate is 15% for the years from 2022 to 2024. In December 2020, Shanxi Demonstration Zone Heat Supply was qualified as a high and new technology enterprise and entitled to enjoy a preferential CIT rate of 15% from 2020 to 2022.

Lanzhou Shuangliang and Hulunbuir Shuangliang were subjected to a preferential CIT rate of 15% from 2020 to 2021 according to the relevant CIT laws since they are enterprises established and operated in the western region of the PRC. In October 2022 and December 2022, Lanzhou Shuangliang and Hulunbuir Shuangliang were approved as high and new technology enterprises respectively and were subjected to preferential CIT rate of 15% from 2022 to 2024 according to the relevant CIT laws.

In addition, according to the relevant tax circulars issued by the PRC tax authorities, Gansu Smart Energy is entitled to other tax concessions and is exempt from CIT for three years, followed by a 50% reduction of the applicable tax rates for the next three years, commencing from the year of the first revenue obtained from the energy management services since 2017. Gansu Smart Energy was exempt from CIT in 2017, 2018 and 2019 and entitled to a preferential CIT rate of 12.5% in 2020, 2021 and 2022.

12 EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December		
	2020	**2021**	**2022**
Profit attributable to the owners of the Company (RMB'000)	66,830	110,696	96,431
Weighted average number of ordinary shares in issue (thousands)	226,000	226,000	226,000
Basic earnings per share (RMB per share)	0.30	0.49	0.43

(b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding as at 31 December 2020, 2021 and 2022, respectively.

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Balance at beginning of the year	67,001	72,713	84,824
Dividends	(3,679)	–	(3,200)
Share of net profit	9,282	11,960	13,538
Share of other comprehensive income/(loss)	109	151	(196)
Balance at the end of the year	72,713	84,824	94,966

Set out below is a list of the associates of the Group as at 31 December 2020, 2021 and 2022. The investments in associates only consist of ordinary shares. Their countries of incorporation are also their principal place of business, and the Group's proportion of ownership interest is the same as the proportion of voting rights held by the Group. Other than a financial guarantee amounting to RMB7,200,000 provided by the Group to Sinopec New Star (as defined below) as at 31 December 2020 and 2021 in respect of its bank borrowings, there were no commitments and contingent liabilities relating to the Group's interests in the associates as at 31 December 2020, 2021 and 2022.

		Percentage of ownership interest attributable to the Group				
		As at 31 December				
Name	**Place of incorporation**	**2020**	**2021**	**2022**	**Principal activities**	**Date of incorporation**
Sinopec New Star Shuangliang Geothermal Thermal Power Company Limited (中石化新星雙良地熱能熱電有限公司) ("Sinopec New Star") *(a)*	Shanxi Province, the PRC	40%	40%	40%	Heat supply	17 September 2014
Shaanxi Gas Group New Energy Development Company Limited (陝西燃氣集團新能源發展有限公司) *(b)*	Shaanxi Province, the PRC	10%	10%	10%	Heat supply	21 March 2013

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

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

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

	As at and for the year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates	72,713	84,824	94,966
Aggregate amounts of the Group's share of:			
Profit from continuing operations	9,282	11,960	13,538
Dividends	3,679	–	3,200
Other comprehensive income/(loss)	109	151	(196)

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Pipeline and heating equipment	Machinery and equipment	Transportation equipment	Office and electronic equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020								
Cost	105,779	34,886	38,087	26,268	12,366	402	15,865	233,653
Accumulated depreciation	(11,313)	(8,232)	(8,891)	(19,448)	(9,237)	(92)	–	(57,213)
Net book amount	94,466	26,654	29,196	6,820	3,129	310	15,865	176,440
Year ended 31 December 2020								
Opening net book amount	94,466	26,654	29,196	6,820	3,129	310	15,865	176,440
Additions	7,175	–	3,465	1,110	2,758	890	11,034	26,432
Disposals	–	(26,240)	(218)	(75)	(29)	–	–	(26,562)
Depreciation	(4,436)	(414)	(2,878)	(1,905)	(1,721)	(156)	–	(11,510)
Closing net book amount	97,205	-	29,565	5,950	4,137	1,044	26,899	164,800
At 31 December 2020								
Cost	112,954	–	40,895	26,712	14,874	1,291	26,899	223,625
Accumulated depreciation	(15,749)	–	(11,330)	(20,762)	(10,737)	(247)	–	(58,825)
Net book amount	97,205	–	29,565	5,950	4,137	1,044	26,899	164,800
Year ended 31 December 2021								
Opening net book amount	97,205	–	29,565	5,950	4,137	1,044	26,899	164,800
Transfer	–	–	26,899	–	–	–	(26,899)	–
Additions	–	–	1,539	1,018	1,590	477	–	4,624
Disposals	–	–	(3)	(136)	(1)	–	–	(140)
Depreciation	(4,638)	–	(3,989)	(1,824)	(1,872)	(440)	–	(12,763)
Closing net book amount	92,567	–	54,011	5,008	3,854	1,081	–	156,521
At 31 December 2021								
Cost	112,954	–	69,267	25,834	16,437	1,768	–	226,260
Accumulated depreciation	(20,387)	–	(15,256)	(20,826)	(12,583)	(687)	–	(69,739)
Net book amount	92,567	–	54,011	5,008	3,854	1,081	–	156,521
Year ended 31 December 2022								
Opening net book amount	92,567	–	54,011	5,008	3,854	1,081	–	156,521
Additions	–	–	11,694	2,155	995	371	–	15,215
Disposals	–	–	(467)	(110)	–	–	–	(577)
Depreciation	(4,639)	–	(6,777)	(1,504)	(1,727)	(583)	–	(15,230)
Closing net book amount	87,928	–	58,461	5,549	3,122	869	–	155,929
At 31 December 2022								
Cost	112,954	–	79,531	26,830	17,432	2,140	–	238,887
Accumulated depreciation	(25,026)	–	(21,070)	(21,281)	(14,310)	(1,271)	–	(82,958)
Net book amount	87,928	–	58,461	5,549	3,122	869	–	155,929

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

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	2,254	1,958	2,837
Administrative expenses	9,256	10,805	12,393
	11,510	12,763	15,230

As at 31 December 2020, 2021 and 2022, the net book value of the buildings of which the property ownership certificates had not been obtained or property ownership transfer procedures had not been completed were RMB28,108,000, RMB26,455,000 and RMB24,802,000, respectively.

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

15 INVESTMENT PROPERTIES

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Balance at beginning of the year	280,800	274,500	272,500
Net losses from fair value adjustment	(6,300)	(2,000)	(5,300)
Balance at the end of the year	274,500	272,500	267,200

Amounts recognised in profit or loss for investment properties

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Rental income from operating leases	15,866	14,862	15,149
Fair value losses	(6,300)	(2,000)	(5,300)

(a) The Group had no contractual obligations for future repairs and maintenance as at 31 December 2020, 2021 and 2022.

(b) As at 31 December 2020, 2021 and 2022, the Group had not obtained the ownership certificates of certain investment properties with a total net book value of RMB79,000,000, RMB77,000,000 and RMB74,000,000, respectively.

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

(c) Fair value hierarchy

The investment properties of the Group are measured at fair value and are classified as level 3 under the prescribed accounting standards. There were no transfers among levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

(d) Valuation process

With the assistance of valuation performed by a third-party independent valuer by using income approach, the Directors assessed the fair value of the investment properties as at 31 December 2020, 2021 and 2022.

(e) Valuation techniques

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

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

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

		Range of unobservable inputs As at 31 December		
Description	**Unobservable inputs**	**2020**	**2021**	**2022**
Investment properties – the PRC	The rate of return/ capitalisation rate	5.5% to 6.75%	5.5% to 6.75%	5.5% to 6.75%
	Monthly rental (RMB/sq.m./month)	32.31 to 101.59	32.04 to 99.16	32.49 to 96.24

Relationship of unobservable inputs to fair value:

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

16 RIGHT-OF-USE ASSETS

	Office premises	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2020			
Cost	5,154	10,876	16,030
Accumulated depreciation	(1,786)	(2,093)	(3,879)
Net book amount	3,368	8,783	12,151
Year ended 31 December 2020			
Opening net book amount	3,368	8,783	12,151
Acquisition of new lease contracts	25,133	-	25,133
Depreciation	(2,889)	(224)	(3,113)
Closing net book amount	25,612	8,559	34,171
At 31 December 2020			
Cost	29,451	10,876	40,327
Accumulated depreciation	(3,839)	(2,317)	(6,156)
Net book amount	25,612	8,559	34,171

	Office premises	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2021			
Opening net book amount	25,612	8,559	34,171
Acquisition of new lease contracts	1,180	–	1,180
Early termination of lease contracts	(681)	–	(681)
Depreciation	(4,556)	(224)	(4,780)
Closing net book amount	21,555	8,335	29,890
At 31 December 2021			
Cost	28,487	10,876	39,363
Accumulated depreciation	(6,932)	(2,541)	(9,473)
Net book amount	21,555	8,335	29,890
Year ended 31 December 2022			
Opening net book amount	21,555	8,335	29,890
Acquisition of new lease contracts	3,322	–	3,322
Early termination of lease contracts	(216)	–	(216)
Depreciation	(4,391)	(224)	(4,615)
Closing net book amount	20,270	8,111	28,381
At 31 December 2022			
Cost	27,207	10,876	38,083
Accumulated depreciation	(6,937)	(2,765)	(9,702)
Net book amount	20,270	8,111	28,381

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

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	172	172	–
Administrative expenses	2,941	4,608	4,615
	3,113	4,780	4,615

17 INTANGIBLE ASSETS

	Goodwill	Operating concessions	Software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020				
Cost	9,047	3,744,350	18,548	3,771,945
Accumulated amortisation	–	(781,021)	(3,608)	(784,629)
Accumulated impairment	–	(111,113)	–	(111,113)
Net book amount	9,047	2,852,216	14,940	2,876,203
Year ended 31 December 2020				
Opening net book amount	9,047	2,852,216	14,940	2,876,203
Additions	–	458,969	814	459,783
Amortisation	–	(164,396)	(1,654)	(166,050)
Closing net book amount	9,047	3,146,789	14,100	3,169,936
At 31 December 2020				
Cost	9,047	4,203,319	19,362	4,231,728
Accumulated amortisation	–	(945,417)	(5,262)	(950,679)
Accumulated impairment	–	(111,113)	–	(111,113)
Net book amount	9,047	3,146,789	14,100	3,169,936
Year ended 31 December 2021				
Opening net book amount	9,047	3,146,789	14,100	3,169,936
Additions	–	208,132	1,235	209,367
Disposals	–	(4,348)	–	(4,348)
Amortisation	–	(183,008)	(1,274)	(184,282)
Closing net book amount	9,047	3,167,565	14,061	3,190,673
At 31 December 2021				
Cost	9,047	4,407,103	20,597	4,436,747
Accumulated amortisation	–	(1,128,425)	(6,536)	(1,134,961)
Accumulated impairment	–	(111,113)	–	(111,113)
Net book amount	9,047	3,167,565	14,061	3,190,673
Year ended 31 December 2022				
Opening net book amount	9,047	3,167,565	14,061	3,190,673
Additions	–	359,084	180	359,264
Disposals	–	(4,640)	–	(4,640)
Amortisation	–	(193,770)	(1,164)	(194,934)
Impairment	–	(9,398)	–	(9,398)
Closing net book amount	9,047	3,318,841	13,077	3,340,965
At 31 December 2022				
Cost	9,047	4,758,772	20,777	4,788,596
Accumulated amortisation	–	(1,319,420)	(7,700)	(1,327,120)
Accumulated impairment	–	(120,511)	–	(120,511)
Net book amount	9,047	3,318,841	13,077	3,340,965

(a) In 2012, Taiyuan Renewable Energy, a subsidiary of the Group, entered into a concession arrangement with Taiyuan local government (the "Grantor") to provide heat supply and related services to an area in Taiyuan City (the "Taiyuan Concession Area"). In 2016, the Grantor planned to build more underground pipes and set up additional backup systems in relation to the heat supply services in certain area within the Taiyuan Concession Area (the "Subject Area") which required Taiyuan Renewable Energy to incur substantial capital expenditures for such development. After due consideration and taking into account the impact of the aforesaid incurrence of substantial capital expenditures on its profitability, Taiyuan Renewable Energy decided not to make such further investment and applied to the Grantor for an early exit from servicing the Subject Area. The application of early exit was approved by the Grantor in 2017 and in the same year, all the heat supply facilities built on the Subject Area were operated by a third party (the "New Operator") since August 2017 at the Grantor's instructions. At the end of August 2017, the carrying value of the related operating concession amounted to approximately RMB71,437,000 (with original cost and accumulated amortisation of RMB81,903,000 and RMB10,466,000, respectively). Considering the Group can no longer generate any future economic benefits from the related operating concession, the Group had accelerated the amortisation for the related operating concession and the carrying value of which became zero after such accelerated amortisation took place.

Taiyuan Renewable Energy has been negotiating with the Grantor for a formal transfer of all the heat supply facilities built on the Subject Area and its consideration thereto. Up to the date of this Historical Financial Information, however, no agreement has been reached between Taiyuan Renewable Energy and the Grantor or the New Operator and the amount of consideration, if any, that may be recovered by Taiyuan Renewable Energy is uncertain. In addition, the legal rights and obligations associated with the heat supply facilities under the concession arrangement still remain with Taiyuan Renewable Energy considering the fact that there is no legally binding agreement in place which governs the formal transfer of the related heat supply facilities.

(b) Impairment tests for goodwill related to Taiyuan Renewable Energy

Goodwill acquired in a business combination is allocated to the CGU that is expected to benefit from that business combination. Taiyuan Renewable Energy's business was transferred to and undertaken by the Group since 10 October 2010. The Directors consider Taiyuan Renewable Energy as a separate CGU and the goodwill is allocated to this CGU.

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

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

	As at 31 December		
	2020	**2021**	**2022**
Net profit margin (%)	26.40%	26.50%	27.10%
Revenue growth rate (%)	6%-10%	6%-10%	3%-4%
Terminal growth rate (%)	3.00%	3.00%	3.00%
Discount rate (%)	11.93%	11.93%	11.80%
Pre-tax discount rate (%)	13.52%	13.50%	13.36%

The Directors of the Company consider that no impairment charge during the Track Record Period was required after performing the impairment assessment for the Track Record Period.

Based on the result of the goodwill impairment test performed by the Directors, the estimated recoverable amount exceeded the carrying amount by RMB130,719,000, RMB142,544,000 and RMB149,291,000 as at 31 December 2020, 2021 and 2022, respectively. Accordingly, no impairment provision was required to be made during the Track Record Period. The Directors have performed a sensitivity analysis on the key assumptions used in impairment test of goodwill. Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

(c) Impairment tests for intangible assets related to Shuozhou Renewable Energy

With assistance of an independent valuer, the Directors assessed the impairment of the operating concession assets of Shuozhou Renewable Energy and recognised an impairment provision of RMB111,113,000 before the Track Record Period and recognised a further impairment provision of RMB9,398,000 during the year ended 31 December 2022 (years ended 31 December 2020 and 2021:Nil).

The recoverable amount of the CGU related to Shuozhou Renewable Energy is determined based on value-in-use calculations. The calculation uses pre-tax cash flow projections based on financial forecasts prepared by management covering the entire service concession period of 20 years.

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

	As at 31 December		
	2020	**2021**	**2022**
Net profit margin (%)	-3.1%-17.4%	-1.7%-22.1%	-7.2%-17.3%
Revenue growth rate (%)	2%-3%	2%-3%	2%-3%
Discount rate (%)	12.47%	12.05%	11.89%
Pre-tax discount rate (%)	14.35%	13.99%	13.63%

The Directors of the Company consider that no further impairment charge in 2020 and 2021 was required after performing the impairment assessment. As at 31 December 2020 and 2021, the recoverable amount of the CGU related to Shuozhou Renewable Energy approximated its carrying amount.

If the net profit margin used in the value-in-use calculation had decreased by 5% from management's estimate as at 31 December 2020, 2021 and 2022, the Group would have had to recognise a further impairment against the carrying amount of intangible assets of approximately RMB5,822,000, RMB8,023,000 and RMB16,726,000, respectively.

If the revenue growth rate used in the value-in-use calculation had decreased by 5% from management's estimate as at 31 December 2020, 2021 and 2022, the Group would have had to recognise a further impairment against the carrying amount of intangible assets of approximately RMB7,381,000, RMB8,891,000 and RMB5,059,000, respectively.

If the discount rate used in the value-in-use calculation had increased by 2% from management's estimate as at 31 December 2020, 2021 and 2022, the Group would have had to recognise a further impairment against the carrying amount of intangible assets of approximately RMB4,109,000, RMB1,555,000 and RMB9,575,000, respectively.

(d) Amortisation charge was expensed in the consolidated statements of comprehensive income as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	164,862	183,484	194,283
Administrative expenses	1,188	798	651
	166,050	184,282	194,934

(e) As at 31 December 2020, 2021 and 2022, intangible assets with carrying amount of approximately RMB103,281,000, RMB98,657,000 and RMB771,097,000, respectively, were pledged as collateral for the bank and other borrowings of the Group (Notes 28(a) and 28(c)).

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at fair value through profit or loss	11,041	17,139	–
Financial assets at amortised cost			
Cash and cash equivalents	91,826	136,185	378,068
Restricted cash	34,848	76,688	100,374
Trade receivables	433,708	419,593	566,144
Other receivables and deposits	372,342	194,131	101,232
	932,724	826,597	1,145,818
	943,765	843,736	1,145,818
Financial liabilities			
Liabilities at amortised cost:			
Borrowings	1,308,636	1,061,277	881,214
Lease liabilities	23,557	19,975	19,682
Trade and other payables excluding non-financial liabilities	978,336	795,131	918,900
	2,310,529	1,876,383	1,819,796

19 TRADE RECEIVABLES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Included in current assets			
Trade receivables *(a)*			
– Related parties *(Note 38(d))*	11,443	8,252	10,090
– Third parties	385,612	373,483	515,490
	397,055	381,735	525,580
Notes receivables	–	–	50
Lease receivables	24,251	35,106	21,346
Less: allowance for impairment of trade receivables and lease receivables	(56,562)	(79,115)	(68,990)
	364,744	337,726	477,986
Included in non-current assets			
Lease receivables	127,855	116,737	109,749
Less: allowance for impairment of lease receivables	(58,891)	(34,870)	(21,591)
	68,964	81,867	88,158
Total trade receivables	433,708	419,593	566,144

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	318,786	288,269	434,000
1 to 2 years	59,186	60,780	52,158
2 to 3 years	11,044	17,381	24,704
Over 3 years	8,039	15,305	14,718
	397,055	381,735	525,580

(b) The Group's trade receivables, notes receivables and lease receivables were denominated in RMB.

(c) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. Information about the impairment of trade receivables and lease receivables and the Group's exposure to credit risk can be found in Note 3.1(b).

(d) As at 31 December 2020, 2021 and 2022, trade receivables with carrying amount of approximately RMB109,539,000, RMB111,592,000 and RMB121,028,000, respectively, were pledged as collaterals for the bank borrowings of the Group (Note 28(a)).

20 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Included in current assets			
Other receivables and deposits			
– Amounts due from a related party *(Note 38(e))*	154,400	40,074	–
– Deposits	11,610	8,542	8,798
– Consideration receivable from disposal of intangible assets	10,564	10,564	1,482
– Receivable of financing arrangements with a third party *(a)*	52,412	54,724	59,072
– Others	9,732	10,091	11,013
	238,718	123,995	80,365
Less: allowance for impairment of other receivables and deposits	(3,500)	(4,085)	(4,754)
	235,218	119,910	75,611
Deductible value-added tax	54,946	53,070	19,736
Prepayments to suppliers	16,028	18,292	16,304
Prepayments for income tax	5,590	2,727	3,856
Prepaid [**REDACTED**] expenses	12,762	21,511	37,620
	89,326	95,600	77,516
	324,544	215,510	153,127

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Included in non-current assets			
Receivable of financing arrangements with a third party *(a)*	106,980	46,207	–
Receivable of finance lease of plant and equipment to a related party *(Note 38 (d))*	30,786	28,403	25,886
Less: allowance for impairment of other receivables and deposits	(642)	(389)	(265)
	137,124	74,221	25,621
Prepayments to related parties *(Note 38(d))*	79	3,747	3,819
Deductible value-added tax	155,639	145,315	–
Prepayments for intangible assets	11,367	14,836	12,425
	167,085	163,898	16,244
	304,209	238,119	41,865
Total prepayments and other receivables	628,753	453,629	194,992

(a) On 4 December 2018, the Group entered into a series of arrangements with a third party, pursuant to which the third party undertook sales and buyback arrangements with the Group for certain heat supply infrastructure. The total consideration payable to the third party by the Group for the sales and buyback arrangements was RMB176,000,000, of which RMB120,000,000 was paid in 2018 and RMB56,000,000 was paid in 2019. The third party agreed to purchase back the infrastructure at a total consideration of RMB244,100,000 over five years. According to the payment schedule, RMB48,820,000 will be paid each year during a five-year operating period. The repurchase price included the effect of the time value of money which is more than the original sale price of the heat supply infrastructure. Therefore, the arrangement is accounted for as a financing arrangement as provided by the Group to the third party. During the years ended 31 December 2020, 2021 and 2022, the Group recognised finance income from the aforesaid receivables of RMB17,462,000, RMB13,659,000 and RMB10,877,000, respectively (Note 10).

(b) Movements in the provision for impairment of other receivables and deposits during the Track Record Period are disclosed in Note 3.1(b).

(c) The Group's other receivables and deposits were denominated in RMB.

21 INVENTORIES

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At cost:			
Raw materials and consumables	32,851	38,178	48,926
Work in progress	49	–	–
	32,900	38,178	48,926

The costs of inventories recognised in profit or loss for the years ended 31 December 2020, 2021 and 2022 were RMB92,951,000, RMB92,367,000 and RMB142,549,000 respectively.

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	11,041	17,139	–

As at 31 December 2020 and 2021, financial assets at fair value through profit or loss represented the investments in wealth management products issued by banks in the PRC with expected investment return rates ranged from 2.10% to 3.88% per annum. The financial assets at fair value through profit or loss were all denominated in RMB. For the fair value estimation, please refer to Note 3.3 for details.

As at 31 December 2020 and 2021, all wealth management products were maturing within one year.

As at 31 December 2020, 2021 and 2022, the Group's financial assets at fair value through profit or loss of RMB11,000,000, RMB17,000,000 and nil were pledged for notes payables (Note 27(b)).

23 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks	126,502	212,786	478,421
Cash on hand	172	87	21
	126,674	212,873	478,442
Less: restricted cash (a)	(34,848)	(76,688)	(100,374)
Cash and cash equivalents	91,826	136,185	378,068

(a) The Group's restricted cash were deposits placed with the banks for the issuance of bank acceptance notes and as deposits of capital expenditures and borrowings. As at 31 December 2020, 2021 and 2022, restricted cash for the issuance of bank's acceptance notes amounted to approximately RMB34,848,000, RMB37,862,000 and RMB89,274,000, respectively. As at 31 December 2021, restricted cash for deposit of capital expenditures amounted to approximately RMB38,826,000. As at 31 December 2022, restricted cash as guarantee deposits of bank borrowings amounted to RMB11,100,000.

(b) The Group's cash and cash equivalents and restricted cash were denominated in RMB.

24 SHARE CAPITAL

The Company	**Number of ordinary shares**	**Total**
		RMB'000
As at 1 January 2020, 31 December 2020, 2021 and 2022	226,000,000	226,000

25 OTHER RESERVES

	Capital reserves	Statutory reserves (Note (a))	Revaluation surplus	Other reserves	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2020	5,726	122,069	18,562	(216)	146,141
Appropriation to statutory reserves	–	16,544	–	–	16,544
Others	–	–	–	54	54
Balance at 31 December 2020	5,726	138,613	18,562	(162)	162,739
Balance at 1 January 2021	5,726	138,613	18,562	(162)	162,739
Appropriation to statutory reserves	–	23,672	–	–	23,672
Transactions with non-controlling interests	–	–	–	(480)	(480)
Others	–	–	–	77	77
Balance at 31 December 2021	5,726	162,285	18,562	(565)	186,008
Balance at 1 January 2022	5,726	162,285	18,562	(565)	186,008
Appropriation to statutory reserves	–	14,219	–	–	14,219
Deregistration of subsidiaries	–	(13)	–	–	(13)
Others	–	–	–	(100)	(100)
Balance at 31 December 2022	5,726	176,491	18,562	(665)	200,114

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

26 RETAINED EARNINGS

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	81,481	131,767	218,791
Profit for the year	66,830	110,696	96,431
Appropriation to statutory reserves	(16,544)	(23,672)	(14,219)
At the end of the year	131,767	218,791	301,003

27 TRADE AND OTHER PAYABLES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Included in current liabilities			
Trade payables			
– Third parties	261,666	259,455	333,259
Notes payables *(b)*	73,241	57,802	109,738
Amounts due to related parties *(Notes 38(d) and 38(e)(ii))*	50,279	43,195	31,566
Payables for acquisition of intangible assets	407,349	270,678	299,269
Payables for acquisition of property, plant and equipment	4,357	4,230	4,217
Employee benefits payables	24,804	28,286	25,218
Other taxes payables	28,527	24,599	37,080
Interest payables	808	489	1,107
Employee reimbursement payables	843	717	2,465
Dividends payables to non-controlling interests	40,778	40,778	40,778
Loans from government *(d)*	28,724	28,067	22,498
Refundable pipeline connection fees	17,811	14,175	2,941
Installment payable for acquisition of intangible assets	14,408	34,373	40,551
Others	11,911	9,258	25,590
	965,506	816,102	976,277
Included in non-current liabilities			
Other payables			
– A third party (installment payable for acquisition of intangible assets)	67,004	32,631	7,386
Total trade and other payables	1,032,510	848,733	983,663

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

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	203,639	183,213	224,470
1 to 2 years	28,750	22,777	34,074
2 to 3 years	12,555	25,687	22,761
Over 3 years	16,722	27,778	51,954
	261,666	259,455	333,259

(b) As at 31 December 2020 and 2021, the Group's notes payables of RMB73,241,000 and RMB57,802,000 were secured by restricted cash (Note 23(a)) and financial assets at fair value through profit or loss (Note 22). As at 31 December 2022, the Group's notes payables of RMB89,274,000 were secured by restricted cash (Note 23(a)).

(c) The Group's trade and other payables were denominated in RMB.

(d) In August 2012 and July 2013, the Group entered into agreements with Shanxi Provincial Government Investment Asset Management Centre ("Shanxi Government Investment Centre"). According to the agreements, Shanxi Government Investment Centre provided to the Group interest free loans amounted to RMB27,500,000 with a term of seven years to support its construction of heating projects in Shanxi province. Such advances of RMB23,000,000 enjoyed interest-free period from 2012 to 2019 and advances of RMB4,500,000 enjoyed interest-free period from 2013 to 2020. Subsequent to the interest-free periods, interest would be calculated at 4.9% per annum according to the benchmark loan interest rate.

28 BORROWINGS

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Included in non-current liabilities:			
Other borrowings			
– secured and unguaranteed (c)	53,000	49,500	–
– unsecured (Note 38(f))	556,518	300,854	–
Bank borrowings			
– secured and guaranteed (a)	–	–	408,139
– unsecured	–	–	59,500
– unsecured and guaranteed (b)	286,118	271,923	203,075
	895,636	622,277	670,714
Less: current portion of non-current liabilities	(523,663)	(24,515)	(36,250)
	371,973	597,762	634,464
Included in current liabilities:			
Bank borrowings			
– secured and guaranteed (a)	223,000	209,000	100,000
– unsecured and guaranteed (b)	190,000	230,000	100,000
– secured and unguaranteed (c)	–	–	10,500
Current portion of non-current liabilities	523,663	24,515	36,250
	936,663	463,515	246,750
Total borrowings	1,308,636	1,061,277	881,214

As at 31 December 2020, 2021 and 2022, the Group's borrowings were repayable as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	936,663	463,515	246,750
Between 1 and 2 years	22,582	326,857	50,564
Between 2 and 5 years	174,269	168,957	408,011
Over 5 years	175,122	101,948	175,889
	1,308,636	1,061,277	881,214

(a) As at 31 December 2020, 2021 and 2022, the bank borrowings of Taiyuan Renewable Energy amounting to RMB30,000,000, RMB30,000,000 and nil, respectively, were guaranteed by Shanxi Shuangliang and secured by Taiyuan Renewable Energy's concession right. In addition, the bank borrowings of Hulunbuir Shuangliang amounting to RMB193,000,000, RMB179,000,000 and RMB158,000,000, respectively, were guaranteed by the Company and secured by certain trade receivables (Note 19(d)).

As at 31 December 2022, the bank borrowing of Lanzhou Shuangliang amounting to RMB174,625,000 was guaranteed by the Company and Gansu Shuangliang and secured by certain intangible assets (Note 17(e)). In addition, the bank borrowings of Shuozhou Renewable Energy amounting to RMB175,000,000 was guaranteed by Taiyuan Renewable Energy, the Company, Shuangliang Group Company Limited ("Shuangliang Group Co.") and Mr. Miao Wenbin and secured by price subsidy receivables and certain intangible assets (Note 17(e)).

Furthermore, the bank borrowings of Wise Living Tech-Thermal Power (Zhengzhou) Limited amounting to RMB514,000 were guaranteed by the Company and secured by certain trade receivables (Note 19(d)).

(b) As at 31 December 2020, bank borrowings amounting to RMB100,000,000, RMB286,118,000 and RMB90,000,000 were guaranteed by Jiangyin Hengchuang Technology Company Limited, Shuangliang Group Co. and Shuangliang Technology, respectively.

As at 31 December 2021, bank borrowings amounting to RMB100,000,000, RMB271,923,000 and RMB130,000,000 were guaranteed by Jiangyin Hengchuang Technology Company Limited, Shuangliang Group Co. and Shuangliang Technology, respectively.

As at 31 December 2022, bank borrowings amounting to RMB203,075,000 and RMB100,000,000 were guaranteed by Shuangliang Group Co. and Gansu Shuangliang, respectively.

(c) As at 31 December 2020, 2021 and 2022, the other borrowing of Lanzhou Shuangliang amounting to RMB53,000,000, RMB49,500,000 and nil, respectively, were secured by certain intangible assets (Note 17(e)). In June 2022, the Group has entered into an agreement with the lender and the lender's related party, pursuant to which the Group has settled the borrowings of RMB49,500,000 through the offset with the Group's accounts receivable due from the lender's related party of the same amount (Note 35(b)).

As at 31 December 2022, the bank borrowings of the Company amounting to RMB10,500,000 were secured by restricted cash of Zhengzhou Wise Living of RMB11,100,000 (Note 23(a)).

(d) As at 31 December 2020, 2021 and 2022, the Group had aggregate credit facilities of approximately RMB752,118,000, RMB760,423,000 and RMB1,707,520,000, respectively. Unused facilities as at the same date amounted to nil, nil and RMB823,986,000, respectively.

(e) Certain of the Group's bank borrowings are subject to the fulfilment of covenants relating to certain debt servicing financial indicators. As at 31 December 2019, certain bank loan was classified as current liability in the consolidated statements of financial position as the Group did not comply with certain financial covenants. In March 2020, the Group obtained from the lending bank a letter of waiver from strict compliance with the relevant financial covenants and was applied during the Track Record Period. Accordingly, the Group reclassified the loan amounting to RMB286,118,000, RMB271,923,000, RMB203,075,000 as at 31 December 2020, 2021 and 2022 respectively as non-current liability according to its original payment schedule as set out in the loan contract.

As at 31 December 2020 and 2021, certain bank loan amounting to RMB193,000,000 and RMB179,000,000 was classified as current liability in the consolidated statements of financial position as the Group did not comply with certain financial covenants. In March 2022, the Group obtained from the lending bank a letter of waiver from strict compliance with the relevant financial covenants and the Group was comply with the certain financial covenants during the Track Record Period. Accordingly, the Group reclassified the loan amounting to RMB158,000,000 as at 31 December 2022 as non-current liability according to its original payment schedule as set out in the loan contract.

Maturity analysis of the above two term loans based on original scheduled repayment dates is set out in Note 3.1(c).

(f) The annual weighted average effective interest rates of borrowings for the years ended 31 December 2020, 2021 and 2022 were as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
Borrowings	5.97%	5.35%	5.54%

The carrying amounts of the borrowings approximated their fair values as their interest rates are considered as close to the current market rates.

The Group's borrowings were denominated in RMB.

29 CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Included in current liabilities			
Provision and distribution of heat	334,067	381,208	345,139
Pipeline connection fees	73,863	80,159	95,032
Sale of goods	350	420	348
Others	1,225	1,101	27
	409,505	462,888	440,546
Included in non-current liabilities			
Pipeline connection fees	1,506,471	1,628,637	1,821,454
	1,915,976	2,091,525	2,262,000

(a) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the Track Record Period relating to carried-forward contract liabilities.

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year			
Provision and distribution of heat	293,822	334,067	381,208
Pipeline connection fees	63,468	73,863	80,159
Sale of goods	350	350	420
Others	831	1,225	1,101
	358,471	409,505	462,888

(b) Unsatisfied performance obligations

The Group has elected the expedient of not disclosing the remaining performance obligations for the provision and distribution of heat and sale of goods, which the performance obligation is part of a contract that has an original expected duration of one year or less.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) excluding the performance obligation which is part of a contract that has an original expected duration of one year or less as at 31 December 2020, 2021 and 2022, relating to the pipeline connection fees, is set out below:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	73,863	80,159	95,032
Over 1 year	1,506,471	1,628,637	1,821,454
	1,580,334	1,708,796	1,916,486

30 DEFERRED INCOME

The Group's deferred income represents government grants received from governmental authorities. The movement of deferred income is set out below:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	68,765	54,831	85,125
Additions	–	44,500	17,000
Recognised in profit or loss	(13,934)	(14,206)	(18,666)
At the end of the year	54,831	85,125	83,459

31 LEASE LIABILITIES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Current	1,342	1,588	1,005
Non-current	22,215	18,387	18,677
	23,557	19,975	19,682

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Interest expense (included in finance costs-net)	1,218	1,465	1,386
Expense relating to short-term leases	1,209	2,022	2,220
Cash outflow for short-term leases	1,209	2,022	2,220
Cash outflow for lease payments (including interests)	6,296	5,485	4,761
Cash outflow for short-term leases and lease payments	7,505	7,507	6,981

The Group leases pipeline, heat supply equipment and office premises and these lease liabilities were measured at net present value of the minimum lease payments during the lease terms that are not yet paid. There was no extension option clause in the lease agreements.

32 DEFERRED INCOME TAX

(a) Deferred income tax assets

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
To be recovered within 12 months	2,968	3,836	3,108
To be recovered after more than 12 months	140,526	162,372	176,755
Total deferred income tax assets	143,494	166,208	179,863
Offsetting against deferred income tax liabilities	(102,377)	(117,068)	(126,189)
Net deferred income tax assets	41,117	49,140	53,674

The movement in deferred income tax assets is as follows:

	Loss allowance of financial assets	Deferred income	Tax losses	Temporary differences relating to depreciation of property, plant and equipment and amortisation of intangible assets	Temporary differences relating to recognition of pipeline connection fees	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	15,577	14,037	29,974	211	64,345	590	2,817	127,551
Credited/(charged) to profit or loss	1,922	(3,024)	12	84	16,527	(282)	704	15,943
As at 31 December 2020	17,499	11,013	29,986	295	80,872	308	3,521	143,494
As at 1 January 2021	17,499	11,013	29,986	295	80,872	308	3,521	143,494
Credited/(charged) to profit or loss	56	5,569	(4,644)	71	19,255	474	1,942	22,723
Early termination of lease contracts	–	–	–	–	–	(9)	–	(9)
As at 31 December 2021	17,555	16,582	25,342	366	100,127	773	5,463	166,208
As at 1 January 2022	17,555	16,582	25,342	366	100,127	773	5,463	166,208
(Charged)/credited to profit or loss	(3,216)	(1,384)	(960)	89	18,398	(38)	772	13,661
Early termination of lease contracts	–	–	–	–	–	(6)	–	(6)
As at 31 December 2022	14,339	15,198	24,382	455	118,525	729	6,235	179,863

For the years ended 31 December 2020, 2021 and 2022, the Group did not recognise deferred income tax assets of approximately RMB26,630,000, RMB6,858,000 and RMB26,614,000 in respect of losses amounting to approximately RMB105,190,000, RMB27,433,000 and RMB106,458,000 that can be carried forward against future taxable income. Tax losses of group companies operated in the PRC could be carried forward for a maximum of five years. These tax losses will expire up from 2024 to 2027. As at 31 December 2020, 2021 and 2022, no deferred tax asset had been recognised in respect of the unused tax losses amounting to RMB264,689,000, RMB269,884,000 and RMB362,120,000 respectively, due to the unpredictability of future profit streams of the relevant subsidiaries of the Company. The tax losses of certain PRC group entities that had not been recognised as deferred income tax assets can be carried forward against future taxable income will expire in the following years:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
2021	22,197	–	–
2022	13,113	13,113	–
2023	54,547	54,547	54,547
2024	69,642	69,642	69,639
2025	105,190	105,149	105,146
2026	–	27,433	26,330
2027	–	–	106,458
	264,689	269,884	362,120

(b) Deferred income tax liabilities

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
To be settled within 12 months	4,346	4,346	4,346
To be settled after more than 12 months	138,353	142,889	142,174
Total deferred income tax liabilities	142,699	147,235	146,520
Offsetting against deferred income tax assets	(102,377)	(117,068)	(126,189)
Net deferred income tax liabilities	40,322	30,167	20,331

The movement in deferred income tax liabilities is as follows:

	Fair value losses of investment properties	Temporary differences on assets recognised under IFRIC 12	Temporary differences relating to energy management services	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	10,863	110,608	6,356	413	128,240
(Credited)/charged to profit or loss	(945)	13,825	1,662	(83)	14,459
As at 31 December 2020	9,918	124,433	8,018	330	142,699
As at 1 January 2021	9,918	124,433	8,018	330	142,699
(Credited)/charged to profit or loss	(300)	2,811	1,554	471	4,536
As at 31 December 2021	9,618	127,244	9,572	801	147,235
As at 1 January 2022	9,618	127,244	9,572	801	147,235
(Credited)/charged to profit or loss	(795)	1,300	(419)	(801)	(715)
As at 31 December 2022	8,823	128,544	9,153	–	146,520

33 DIVIDENDS

No dividend has been paid or declared by the Company during the Track Record Period.

34 PROVISION

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Provision for maintenance of service concession facilities	15,382	20,210	25,593

Pursuant to the service concession agreements entered into by the Group, the Group has the contractual obligations to maintain the facilities it operates to specified level of service quality and/or to restore the plants to specified conditions before the facilities are handed over to the Grantors at the end of the service concession periods. These contractual obligations to maintain or restore the facilities, except for any upgrade elements, are recognised and measured at the best estimate of the expenditures that would be required to settle the present obligations at each of the reporting dates.

35 CASH FLOW INFORMATION

(a) Reconciliation of profit before income tax to cash generated from operations:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	143,927	206,731	186,336
Adjustments for:			
Interest income *(Note 10)*	(26,393)	(29,354)	(26,314)
Interest expense *(Note 10)*	92,866	81,503	84,065
Gains on investments on wealth management products *(Note 7)*	(1,207)	(418)	(146)
Fair value losses of investment properties (Note 7)	6,300	2,000	5,300
Depreciation of property, plant and equipment *(Note 14)*	11,510	12,763	15,230
Depreciation of right-of-use assets *(Note 16)*	3,113	4,780	4,615
Amortisation of intangible assets *(Note 17)*	166,050	184,282	194,934
Share of net profit of associates accounted for using the equity method *(Note 13)*	(9,282)	(11,960)	(13,538)
(Gains)/losses on disposal of property, plant and equipment *(Note 7)*	(3,443)	119	(242)
Gains on early termination of certain lease contracts	–	(733)	(19)
Gains on disposal of intangible assets *(Note 7)*	–	(462)	(1,086)
Provision/(reversal) of impairment losses on financial assets and contract assets	13,548	(995)	(23,118)
Impairment of intangible assets *(Note 17)*	–	–	9,398
Gains on disposal and deregistration of subsidiaries *(Note 7)*	(72)	(4)	(39)
Amortisation of government grants related to assets *(Note 30)*	(13,934)	(14,206)	(18,666)
Profit from operating concessions construction services	(46,569)	(29,248)	(34,527)
Operating cash flows before changes in working capital	336,414	404,798	382,183

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Changes in working capital:			
Restricted cash for issuance of bank's acceptance notes	54,699	(3,014)	(51,412)
Inventories	11,275	(5,278)	(10,748)
Contract assets	(10,278)	(14,534)	44,061
Trade and other receivables	(28,709)	(8,795)	15,907
Trade and other payables	(44,769)	(11,376)	127,337
Contract liabilities	162,771	175,549	170,475
Cash generated from operations	481,403	537,350	677,803

(b) Non-cash transactions

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Acquisition of new lease contracts	25,133	1,180	3,322
Revenue from operating concessions construction services	349,356	208,133	271,010
Offset accounts receivable with borrowings *(Note 28(c))*	–	–	49,500
Offset accounts receivable with payable for acquisition of intangible assets	–	23,848	17,089
Disposal of property, plant and equipment through finance lease	26,240	–	–
Accounts receivable settled through property, plant and equipment	7,175	–	–
Modification of lease receivable	–	–	14,644

(c) Net liabilities from financing activities reconciliation

This section sets out an analysis of net liabilities from financing activities and the movements in the liabilities from financing activities for each of the periods presented.

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents	91,826	136,185	378,068
Lease liabilities	(23,557)	(19,975)	(19,682)
Dividend payable	(40,778)	(40,778)	(40,778)
Installment payable for acquisition of intangible assets	(81,412)	(67,004)	(47,937)
Borrowings	(1,308,636)	(1,061,277)	(881,214)
Amounts advanced from a related party	(700)	(700)	(700)
Loans from government	(28,724)	(28,067)	(22,498)
Net liabilities from financing activities	(1,391,981)	(1,081,616)	(634,741)
Cash and cash equivalents	91,826	136,185	378,068
Gross debt – fixed interest rates	(1,197,689)	(945,878)	(575,234)
Gross debt – variable interest rates	(286,118)	(271,923)	(437,575)
Net liabilities from financing activities	(1,391,981)	(1,081,616)	(634,741)

		Liabilities from financing activities						
	Cash and cash equivalents	Lease liabilities	Dividend payable	Other payables	Borrowings	Amounts advanced from a related party	Loans from government	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net liabilities as at 1 January 2020	56,175	(3,502)	(54,068)	(58,700)	(1,202,985)	(700)	(27,382)	(1,291,162)
Cash flows	35,651	6,296	13,290	88,747	(105,651)	–	–	38,333
Acquisition of new lease contracts	–	(25,133)	–	–	–	–	–	(25,133)
Acquisition of intangible assets	–	–	–	(109,612)	–	–	–	(109,612)
Early payment for equipments	–	–	–	491	–	–	–	491
Interest expenses	–	(1,218)	–	(2,338)	–	–	(1,342)	(4,898)
Net liabilities as at 31 December 2020	91,826	(23,557)	(40,778)	(81,412)	(1,308,636)	(700)	(28,724)	(1,391,981)
Net liabilities as at 1 January 2021	91,826	(23,557)	(40,778)	(81,412)	(1,308,636)	(700)	(28,724)	(1,391,981)
Cash flows	44,359	5,485	–	19,495	247,359	–	2,000	318,698
Acquisition of new lease contracts	–	(1,180)	–	–	–	–	–	(1,180)
Early termination of lease contracts	–	742	–	–	–	–	–	742
Interest expenses	–	(1,465)	–	(5,087)	–	–	(1,343)	(7,895)
Net liabilities as at 31 December 2021	136,185	(19,975)	(40,778)	(67,004)	(1,061,277)	(700)	(28,067)	(1,081,616)
Net liabilities as at 1 January 2022	136,185	(19,975)	(40,778)	(67,004)	(1,061,277)	(700)	(28,067)	(1,081,616)
Cash flows	241,883	4,761	–	22,157	130,563	–	6,500	405,864
Acquisition of new lease contracts	–	(3,322)	–	–	–	–	–	(3,322)
Accounts receivable settled through borrowings	–	–	–	–	49,500	–	–	49,500
Early termination of lease contracts	–	240	–	–	–	–	–	240
Interest expenses	–	(1,386)	–	(3,090)	–	–	(931)	(5,407)
Net liabilities as at 31 December 2022	378,068	(19,682)	(40,778)	(47,937)	(881,214)	(700)	(22,498)	(634,741)

36 COMMITMENTS

(a) Commitments relating to short-term leases

The future aggregate minimum lease payments under non-cancellable short-term leases contracted for but not recognised as liabilities at each reporting date are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
No later than 1 year	94	955	177

(b) Capital commitments

The Group's capital expenditures contracted for but not yet incurred at each reporting date is as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Intangible assets	68,990	111,294	57,963

37 NON-CONTROLLING INTERESTS

Set out below is summarised financial information for each subsidiary that has non-controlling interests ("NCI") which are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Shanxi Shuangliang Renewable Energy		
	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Summarised statement of financial position			
Current assets	369,458	415,124	907,683
Current liabilities	(1,265,636)	(1,155,530)	(1,515,260)
Net current liabilities	(896,178)	(740,406)	(607,577)
Non-current assets	2,135,683	2,137,923	2,019,690
Non-current liabilities	(1,099,232)	(1,158,731)	(1,109,504)
Net non-current assets	1,036,451	979,192	910,186
Net assets	140,273	238,786	302,609
Accumulated NCI	68,065	117,041	148,302

	Gansu Shuangliang		
	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Summarised statement of financial position			
Current assets	120,644	196,264	237,918
Current liabilities	(587,151)	(661,606)	(745,565)
Net current liabilities	(466,507)	(465,342)	(507,647)
Non-current assets	1,108,906	1,162,849	1,236,147
Non-current liabilities	(692,172)	(735,479)	(746,314)
Net non-current assets	416,734	427,370	489,833
Net liabilities	(49,773)	(37,972)	(17,814)
Accumulated NCI	(9,955)	(7,594)	(3,560)

	Hulunbuir Shuangliang		
	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Summarised statement of financial position			
Current assets	473,562	291,451	361,195
Current liabilities	(141,320)	(160,312)	(131,952)
Net current assets	332,242	131,139	229,243
Non-current assets	759,569	733,927	696,362
Non-current liabilities	(888,398)	(596,675)	(591,822)
Net non-current liabilities/(assets)	(128,829)	137,252	104,540
Net assets	203,413	268,391	333,783
Accumulated NCI	30,512	40,259	50,067

	Shanxi Shuangliang Renewable Energy		
	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Summarised statement of comprehensive income			
Revenue	887,958	782,677	838,113
Total comprehensive income	46,748	99,797	63,994
Profit allocated to NCI	22,906	48,901	31,357
Dividends paid to NCI	1,290	–	–
Dividends declared to NCI	–	–	–

	Gansu Shuangliang		
	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Summarised statement of comprehensive income			
Revenue	240,647	265,135	347,339
Total comprehensive income	7,548	11,801	20,170
Profit allocated to NCI	1,510	2,360	4,034
Dividends paid to NCI	–	–	–
Dividends declared to NCI	–	–	–

	Hulunbuir Shuangliang		
	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Summarised statement of comprehensive income			
Revenue	247,716	239,825	247,993
Total comprehensive income	48,427	64,978	65,393
Profit allocated to NCI	7,264	9,747	9,809
Dividends paid to NCI	12,000	–	–
Dividends declared to NCI	–	–	–

	Shanxi Shuangliang Renewable Energy		
	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Summarised cash flows			
Cash flows from operating activities	261,535	214,546	402,511
Cash flows used in investing activities	(176,728)	(185,653)	(95,843)
Cash flows used in financing activities	(63,653)	(18,407)	(146,782)
Net increase in cash and cash equivalents	21,154	10,486	159,886

	Gansu Shuangliang		
	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Summarised cash flows			
Cash flows from operating activities	86,421	123,529	208,005
Cash flows used in investing activities	(24,441)	(71,826)	(92,158)
Cash flows used in financing activities	(64,917)	(17,390)	(52,239)
Net (decrease)/increase in cash and cash equivalents	(2,937)	34,313	63,608

	Hulunbuir Shuangliang		
	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Summarised cash flows			
Cash flows from operating activities	76,573	122,282	41,466
Cash flows (used in)/generated from investing activities	(23,309)	(13,177)	10,515
Cash flows used in financing activities	(39,749)	(119,182)	(8,966)
Net increase/(decrease) in cash and cash equivalents	13,515	(10,077)	43,015

38 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Below is the summary of the Group's key related parties during the Track Record Period:

Name of the related party	Relationship with the Group
Mr. Miao Shuangda	Significant shareholder
Shuangliang Group Co.	Controlled by the significant shareholder
Shuangliang Technology	Parent company
Sinopec New Star	Associate
Beijing Zhongchuang Financial Leasing Company Limited ("Beijing Zhongchuang")	An associate of parent company
Shuangliang Eco-Energy	Controlled by the significant shareholder
Jiangyin International Grand Hotel Company Limited ("Jiangyin Hotel")	Controlled by the significant shareholder
Jiangsu Shuangliang Boiler Company Limited ("Shuangliang Boiler")	Under the common control of parent company
Jiangsu Shuangliang Spandex Company Limited ("Shuangliang Spandex")	Under the common control of parent company
Jiangsu Shuangliang New Energy Equipment Company Limited ("Shuangliang New Energy Equipment")	Controlled by the significant shareholder
Zhejiang Shuangliang Shangda environmental protection Company Limited ("Zhejiang Shuangliang Shangda")	Controlled by the significant shareholder
Jiangsu Shuangliang Energy-Saving Eco Engineering Technique Company Limited ("Shuangliang Eco Engineering")	Controlled by the significant shareholder
Wuxi Hundun Energy Technology Co., Ltd. ("Wuxi Hundun")	Controlled by the significant shareholder

(b) Key management compensation

The key management of the Group are the directors of the Company. The compensation paid or payable to key management is disclosed in Note 9.

(c) Transactions with related parties

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods or services to			
Shuangliang New Energy Equipment	13,920	–	–
Sinopec New Star	2,825	2,468	3,375
Purchases of plant and equipment from			
Shuangliang Boiler	419	2,205	2,177
Shuangliang New Energy Equipment	11,244	–	–
Shuangliang Eco-Energy	19,029	11,891	13,913
Wuxi Hundun	308	644	268
Shuangliang Eco Engineering	6,201	–	–
Sinopec New Star	–	464	891
Purchases of services from			
Jiangyin Hotel	641	642	1,107
Shuangliang Spandex	–	–	10
Leasing arrangements			
Finance lease of plant and equipment to Sinopec New Star	30,786	–	–
Interest income from finance lease to Sinopec New Star	1,320	1,468	1,334
Finance lease from Sinopec New Star	11,031	–	–
Interest expense on finance lease from Sinopec New Star	643	592	538
Lease from Jiangyin Hotel	181	–	–
Interest expense on lease from Jiangyin Hotel	11	6	2
Financing arrangements			
Loans provided to Beijing Zhongchuang	150,000	–	–
Loans repaid by Beijing Zhongchuang	–	110,000	40,000
Interest received from Beijing Zhongchuang	–	11,918	498
Interest income from loans to Beijing Zhongchuang	4,400	7,592	424
Interest paid to Beijing Zhongchuang	46,746	29,405	10,937
Interest expenses to Beijing Zhongchuang	47,233	29,668	10,187
Borrowings from Beijing Zhongchuang	450,000	11,000	–

(d) Outstanding balances arising from sales/purchases of goods and services – trade

The following balances are outstanding as at 31 December 2020, 2021 and 2022 in relation to transactions with related parties:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables for sales of goods or services			
Shuangliang New Energy Equipment	5,048	2,608	2,608
Shuangliang Eco-Energy	–	7	–
Sinopec New Star	6,395	5,637	7,482
	11,443	8,252	10,090
Receivable of finance lease of plant and equipment to a related party			
Sinopec New Star	30,786	28,403	25,886

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for purchase of goods or services			
Shuangliang Eco-Energy	24	3,379	3,376
Shuangliang Boiler	55	–	75
Wuxi Hundun	–	368	368
	79	3,747	3,819

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities for services			
Sinopec New Star	530	–	–

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade and other payables for purchase of goods or services			
Shuangliang Eco-Energy	13,741	11,933	3,648
Shuangliang Boiler	73	731	37
Zhejiang Shuangliang Shangda	8	8	8
Jiangyin Hotel	84	140	210
Shuangliang Eco Engineering	20,421	17,526	17,526
Shuangliang New Energy Equipment	13,412	9,705	6,705
Sinopec New Star	1,608	2,130	2,585
Wuxi Hundun	232	322	147
	49,579	42,495	30,866
Payable for finance lease of plant and equipment from a related party			
Sinopec New Star	10,199	9,317	8,380

The balances of receivables and payables with trade nature are all denominated in RMB, unsecured, interest free and settled in accordance with agreed terms with related parties.

(e) Amounts due from/advance from related parties – non-trade

(i) Amounts due from a related party

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from a related party			
Beijing Zhongchuang	154,400	40,074	–

As at 31 December 2020 and 2021, the balance with borrowing nature was unsecured and bore interest at a rate of 6% per annum.

(ii) Amounts advanced from a related party

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amounts advanced from a related party			
Sinopec New Star	700	700	700

Amounts advanced from a related party are denominated in RMB, unsecured, interest free and repayable on demand.

(f) Borrowings

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Other borrowings			
Beijing Zhongchuang	556,518	300,854	–

The Group obtained financing from Beijing Zhongchuang which matured in December 2022, and bore interests at fixed rate of 6.3% to 6.9% per annum.

(g) Guarantees

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Guarantees provided by related parties in respect of the borrowings of the Group			
Shuangliang Group Co.	286,118	271,923	378,075
Shuangliang Technology	90,000	130,000	–
Mr. Miao Wenbin	–	–	175,000
	376,118	401,923	553,075

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Guarantee provided to a related party in respect of the borrowings of an associate			
Sinopec New Star	7,200	7,200	–

39 NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(a) Investments in subsidiaries

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Equity investments, at cost			
Wise Living Epoch (Beijing) Technology Company Limited	1,000	1,000	1,000
Wise Living Energy	150,000	150,000	150,000
	151,000	151,000	151,000

(b) Prepayments and other receivables

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Included in current assets			
Other receivables and deposits			
– Amounts due from a related party	154,400	40,074	–
– Deposits	57	57	57
– Others	149	193	171
	154,606	40,324	228
Less: allowance for impairment of other receivables and deposits	(223)	(59)	(2)
	154,383	40,265	226
Deductible value-added tax	692	435	1,406
Prepayments to suppliers	–	–	30
Prepaid [**REDACTED**] expenses	12,762	21,511	37,620
	13,454	21,946	39,056
	167,837	62,211	39,282
Included in non-current assets			
Prepayments to related parties	–	3,728	3,728
Total prepayments and other receivables	167,837	65,939	43,010

(c) Amounts due from/to subsidiaries

All amounts due from and due to subsidiaries are denominated in RMB, unsecured, interest free and repayable on demand.

(d) Cash and cash equivalents

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash at banks	2,922	12,773	40,402

(e) Other reserves

	Capital reserves	**Statutory reserves**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2020 and 31 December 2020	5,726	236	5,962
Balance at 1 January 2021	5,726	236	5,962
Appropriation to statutory reserves	–	9,601	9,601
Balance at 31 December 2021 and 2022	5,726	9,837	15,563

(f) Retained earnings

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	7,710	4,331	90,739
(Loss)/profit for the year	(3,379)	96,009	(14,762)
Appropriation to statutory reserves	–	(9,601)	–
At the end of the year	4,331	90,739	75,977

(g) Borrowings

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Included in non-current liabilities:			
Bank borrowings			
– unsecured	–	–	59,500
Less: current portion of non-current liabilities	–	–	(1,000)
	–	–	58,500

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Included in current liabilities:			
Bank borrowings			
– unsecured and guaranteed (Note 28(b))	100,000	100,000	100,000
– secured and unguaranteed (Note 28(c))	–	–	10,500
Current portion of non-current liabilities	–	–	1,000
	100,000	100,000	111,500
Total borrowings	100,000	100,000	170,000

(h) Trade and other payables

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties	157	151	247
Employee benefits payables	4,462	7,645	5,400
Other taxes payables	1,035	1,277	111
Others	81	155	582
	5,735	9,228	6,340

40 CONTINGENCIES

The Group did not have any material contingent liabilities as at 31 December 2020, 2021 and 2022.

41 SUBSEQUENT EVENTS

The Group does not have any significant subsequent events after 31 December 2022 and up to the date of this report which may result in adjustment or addition disclosure in this Historical Financial Information.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022 and up to the date of this report.