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Jilin Province Chuncheng Heating Company Limited*

吉林省春城熱力股份有限公司

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

(Stock Code : 1853)

INSIDE INFORMATION

This announcement is made by Jilin Province Chuncheng Heating Company Limited* (the “**Company**” or “**Chuncheng Heating**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to (1) the Company’s proposed public offering of not more than 155,566,600 A Shares (the “**A Share Offering**”) and the proposed listing of the A Shares on the Shenzhen Stock Exchange (the “**A Share Listing**”); (2) the circular of the Company dated 25 November 2020 in relation to, among others, the acquisition of 100% equity interest in Changchun Yatai Heating Company Limited (“**Yatai Heating**”); (3) the announcement of the Company dated 14 April 2022 in relation to the restated financial information (the “**Announcement**”); (4) the annual report of the Company dated 14 April 2022 for the year 2021 (the “**2021 Annual Report**”); and (5) the Company’s interim report for the six months ended 30 June 2022 (the “**2022 Interim Report**”).

The Company has submitted an application for the A Share Offering to the China Securities Regulatory Commission (the “**CSRC**”) in December 2021, received the acceptance letter (受理函) from the CSRC on 28 December 2021 and received feedback from the CSRC in relation to the A Share Offering on 14 February 2022. The Company submitted to the CSRC the relevant reply in response to its comments on 14 August 2022. Currently, the Company is updating the reporting documents and information relating to the application for A Share Offering in accordance with the relevant regulations and requirements of the CSRC, and intends to make certain adjustments to the financial information disclosed in the Announcement, the 2021 Annual Report and the 2022 Interim Report.

I. Adjustments related to the goodwill apportionment in connection with the transfer of assets from Yatai Heating to Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司) (“Chuncheng Investment”) at nil consideration

According to I. (2), 2.v of “Accounting Regulatory Risk Alert No. 8 — Impairment of Goodwill” (《會計監管風險提示第8號—商譽減值》之“一、(二)、2.第五”) issued by the CSRC, “If, as a result of a reorganization or other reasons, the operating components of the Company change and subsequently affect the composition of the asset group or group of asset groups to which goodwill has been allocated, the carrying amount of goodwill should be reallocated to the affected asset group or group of asset groups and the related reasons and bases should be fully disclosed.” Prior to the transfer of 100% equity interests in Yatai Heating by Chuncheng Investment to Chuncheng Heating, some of the boilers and other assets were transferred from Yatai Heating to Chuncheng Investment. Accordingly, the combined goodwill of Yatai Heating had to be reallocated to the affected relevant asset group due to the merger and acquisition and reorganization.

According to I. (2), 2.iii of “Accounting Regulatory Risk Alert No. 8 — Impairment of Goodwill”, “The Company shall apportion the carrying value of goodwill to the proportionate share of the fair value of each asset group or group of asset groups, after taking full consideration of those asset groups or group of asset groups that can benefit from the synergies of the business combination. The determination of the fair value of each asset group or group of asset groups shall be performed in accordance with the relevant requirements of “Enterprise Accounting Standards No. 39 — Measurement of Fair Value”. If it is difficult to reliably measure the fair value, the apportionment may be made based on the proportionate share of the carrying value of each asset group or combination of asset groups.”

The Company intends to apportion the goodwill corresponding to the transfer of part of the land use rights, real estate, coal-fired boilers and auxiliary equipment (together with related debts and liabilities and personnel) assets from Yatai Heating to Chuncheng Investment in 2020 at nil consideration. Accordingly, the goodwill of the Company as of 31 December 2020, 30 June 2021, 31 December 2021 and 30 June 2022 shall be adjusted downward by RMB92,264,674.94, whereas capital reserve shall be adjusted downward by RMB68,370,342.51 and surplus reserve shall be adjusted downward by RMB23,894,332.43. The specific adjustments are as follows:

	Goodwill		Capital Reserve		Surplus Reserve	
	Before adjustment RMB(Yuan)	After adjustment RMB(Yuan)	Before adjustment RMB(Yuan)	After adjustment RMB(Yuan)	Before adjustment RMB(Yuan)	After adjustment RMB(Yuan)
31 December 2020	167,112,355.37	74,847,680.43	68,370,342.51	0.00	30,719,797.91	6,825,465.48
30 June 2021	167,112,355.37	74,847,680.43	68,370,342.51	0.00	30,719,797.91	6,825,465.48
31 December 2021	167,112,355.37	74,847,680.43	68,370,342.51	0.00	43,789,845.52	19,895,513.09
30 June 2022	167,112,355.37	74,847,680.43	68,370,342.51	0.00	43,789,845.52	19,895,513.09

Based on the above adjustments, the Company's non-current assets, total assets, owners' equity attributable to the parent company, shareholders' equity as well as liabilities and shareholders' equity as of 31 December 2020, 30 June 2021, 31 December 2021 and 30 June 2022 are as follows:

	Non-current assets		Total Assets	
	Before	After	Before	After
	adjustment	adjustment	adjustment	adjustment
	<i>RMB(Yuan)</i>	<i>RMB(Yuan)</i>	<i>RMB(Yuan)</i>	<i>RMB(Yuan)</i>
31 December 2020	1,359,930,266.10	1,267,665,591.16	3,227,105,056.88	3,134,840,381.94
30 June 2021	1,292,841,540.13	1,200,576,865.19	1,961,988,503.36	1,869,723,828.42
31 December 2021	1,310,415,947.31	1,218,151,272.37	2,894,441,069.40	2,802,176,394.46
30 June 2022	1,247,619,864.52	1,155,355,189.58	2,319,417,402.29	2,227,152,727.35

	Owners' equity attributable to the parent company		Shareholders' equity		Liabilities and shareholders' equity	
	Before	After	Before	After	Before	After
	adjustment	adjustment	adjustment	adjustment	adjustment	adjustment
	<i>RMB(Yuan)</i>	<i>RMB(Yuan)</i>	<i>RMB(Yuan)</i>	<i>RMB(Yuan)</i>	<i>RMB(Yuan)</i>	<i>RMB(Yuan)</i>
31 December 2020	857,090,399.48	764,825,724.54	857,090,399.48	764,825,724.54	3,227,105,056.88	3,134,840,381.94
30 June 2021	936,803,642.31	844,538,967.37	936,803,642.31	844,538,967.37	1,961,988,503.36	1,869,723,828.42
31 December 2021	940,282,342.53	848,017,667.59	940,282,342.53	848,017,667.59	2,894,441,069.40	2,802,176,394.46
30 June 2022	950,953,032.93	858,688,357.99	950,953,032.93	858,688,357.99	2,319,417,402.29	2,227,152,727.35

II. Adjustment to non-recurring profit or loss

In accordance with the audit guidance of the CSRC, the Company intends to adjust the non-recurring profit or loss for the year ended 31 December 2020 and the year ended 31 December 2021 as follows:

- (1) the non-recurring gain or loss for the year ended 31 December 2020, which is set out in “(I) Breakdown of Non-recurring Profit or Loss” under note XVI “SUPPLEMENTAL INFORMATION” in the financial statements as of 30 June 2021 and the previous three years in the Announcement, is adjusted from RMB54,204,868.58 to RMB48,098,977.53; and
- (2) the non-recurring gain or loss for the year ended 31 December 2021, which is set out in “(1) Breakdown of Non-recurring Profit or Loss for the Period” under note XVIII “SUPPLEMENTAL INFORMATION” in the financial statements for the year ended 31 December 2021 in the 2021 Annual Report, is adjusted from RMB12,801,688.94 to RMB-5,714,525.74.

III. Other Adjustments to the 2022 Interim Results

In response to the financial information requirements for the A Share Offering, Da Hua Certified Public Accountants (Special General Partnership) (the “**Auditor**”), the Company’s auditor, conducted an audit of the Group’s consolidated financial statements for the six months ended 30 June 2022 (the “**Audited 2022 Interim Results**”). The Audited 2022 Interim Results differ in certain respects from the interim results for the six months ended 30 June 2022 as disclosed in the 2022 Interim Report and reviewed by the Auditor, as follows:

- (1) Reclassification of segment revenue — The Auditor reclassified part of the Group’s heating fee income (valued at RMB3,530,323.70) as other revenue in the Audited 2022 Interim Results. Accordingly,
 - (a) the revenue from provision and distribution of heat for the period from January to June 2022 should be RMB814,695,876.15; and
 - (b) other income for the period from January to June 2022 should be RMB7,712,499.27.
- (2) Reclassification of operating costs — The Auditor reclassified the composition of operating costs of the Group’s heat supply segment in the Audited 2022 Interim Results. Accordingly,
 - (a) the heat procurement cost for the period from January to June 2022 should be RMB477,385,576.15;
 - (b) the cost of coal for the period from January to June 2022 should be RMB37,859,932.21;
 - (c) maintenance and repair costs for the period from January to June 2022 should be RMB6,236,779.18; and
 - (d) other costs for the period from January to June 2022 should be RMB9,108,494.27.
- (3) Correction of negative interest charges presented as interest income under financial costs in the 2022 Interim Report — The Auditor reclassified the negative interest charges in the Audited 2022 Interim Results and increased both interest income and interest charges by RMB1,188,491.13. Accordingly,
 - (a) interest income for the period from January to June 2022 should be RMB9,844,630.37; and
 - (b) interest charges for the period from January to June 2022 should be RMB1,205,416.52.

(4) Amendments and additions to the information on continuing related party transactions and related party transactions in “(I) Related Party Transactions” under note VII “RELATED PARTIES AND RELATED PARTY TRANSACTIONS” to the financial statements on page 57 of the 2022 Interim Report where only the major related party transactions of the Group were disclosed. In accordance with the disclosure requirements for the A Share Offering, the Auditor has disclosed all related party transactions in the notes to the financial statements of the Audited 2022 Interim Results. Accordingly, the Company needs to make the following amendments to “(I) Related Party Transactions” under note VII “RELATED PARTIES AND RELATED PARTY TRANSACTIONS” to the financial statements on page 57 of the 2022 Interim Report.

(a) Amendments and additions to “(1) Particulars of goods and services transactions” under “2. Continuing related party transactions and related party transactions”

- Sales of goods to Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司) for the period from January to June 2022 should be RMB2,256,591.64
- To include sales of goods to Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司) for the period from January to June 2022 of RMB16,981.13
- To include sales of goods to Inner Mongolia Chuncheng Heating Service Co., Ltd.* (內蒙古春城熱力服務有限公司) for the period from January to June 2022 of RMB13,018.87
- To include sales of goods to related natural persons for the period from January to June 2022 of RMB33,771.70

(b) To supplement information on connected leases

- To supplement information on connected leases with Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司) as lessor for the period from January to June 2022 as follows:

Name of lessor	Type of leased assets	Lease payments recognised during the period
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Real Estate	RMB1,214,564.24

The above connected lease constitutes continuing connected transaction which is fully exempt under Chapter 14A of the Listing Rules.

(c) To supplement disclosures on remuneration of the key management

- To supplement disclosures on remuneration of the key management for the period from January to June 2022 as follows:

Item	January to June 2022
Remuneration of the key management	RMB1,101,531.18

(d) Amendments and additions to “3. Amounts due from/to related parties”

- The carrying balance and provision for bad debts as of 30 June 2022 should be RMB19,090,707.93 and RMB1,765,133.07, respectively, in respect of the trade receivable due from Changchun Longtai Heating Property Co., Ltd.* (長春龍泰供熱物業有限責任公司)
- The carrying balance and provision for bad debts as of 30 June 2022 should be RMB18,000.00 and RMB2,070.00, respectively, in respect of the trade receivable due from Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)
- To supplement trade payables as of 30 June 2022 of RMB7,804,250.50 in respect of Changchun Thermal Power Branch of Jilin Electric Power Co., Ltd.* (吉林電力股份有限公司長春熱電分公司)

- (5) Amendments to the ageing breakdown of trade receivable from the heat supply business — The carrying balance of trade receivables and provision for bad debts within 1 year, 2 to 3 years and 3 to 4 years as stated in “(1) Ageing analysis portfolio — Heat supply business” of “3. Trade receivables subjected to provision for ECL on portfolio basis” of “(I) Trade Receivables” under note VI “DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS” to the financial statements on page 44 of the 2022 Interim Report, were incorrectly stated. Accordingly, the Auditor has made the relevant corrections in the Audited 2022 Interim Results. Pursuant to which, the information in “(1) Ageing analysis portfolio — Heat supply business” of “3. Trade receivables subjected to provision for ECL on portfolio basis” of “(I) Trade Receivables” under note VI “DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS” to the financial statements on page 44 of the 2022 Interim Report should be corrected as follows (the corrections are highlighted in bold and underlined for reference):

Aging	2022.6.30		
	Carrying balance	Provision for bad debts	Proportion of provision (%)
Within 1 year	63,106,766.82	<u>3,326,590.49</u>	<u>5.27</u>
1 to 2 years	31,142,601.61	5,252,197.41	16.86
2 to 3 years	<u>2,602,851.81</u>	<u>801,418.10</u>	30.79
3 to 4 years	334,419.67	<u>140,586.47</u>	42.04
4 to 5 years	581,850.30	335,559.48	57.67
Over 5 years	<u>1,987,127.44</u>	<u>1,987,127.44</u>	100.00
Total	<u><u>99,755,617.65</u></u>	<u><u>11,843,479.39</u></u>	11.87

- (6) Correction of the presentation of the impairment provision for contract assets — The impairment provision for contract assets for the period as stated in “2. Particulars of impairment provision for contract assets during the current period” of “(IV) Contract Assets” under note VI “DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS” to the financial statements on page 48 of the 2022 Interim Report, was incorrectly stated. Accordingly, the Auditor has made the relevant correction in the Audited 2022 Interim Results. Pursuant to which, the disclosure in “2. Particulars of impairment provision for contract assets during the current period” of “(IV) Contract Assets” under note VI “DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS” to the financial statements on page 48 of the 2022 Interim Report should be amended as follows (the relevant amendments are highlighted in bold and underlined for reference):

Item	2021.12.31	Provision	Reversal	Movement during the current period		2022.6.30
				Charge-off or written-off	Other changes	
<u>Amounts completed but unsettled</u>	35,091,583.04	9,166,720.79				44,258,303.83
<u>Quality guarantee deposit</u>	5,876,005.39	8,709,644.84				14,585,650.23
Total	40,967,588.43	17,876,365.63				58,843,954.06

- (7) Reclassification of the nature of other payables — Certain other amounts (valued at RMB4,537,457.35) as stated in “Other payables based on nature of the payments” of “(VIII) Other Payables” under note VI “DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS” to the financial statements on page 50 of the 2022 Interim Report should be classified as current account payment. Accordingly, the Auditor reclassified the nature of the relevant amounts in the Audited 2022 Interim Results. Pursuant to which, the Company needs to make the following amendments to “Other payables based on nature of the payments” of “(VIII) Other Payables” under note VI “DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS” to the financial statements on page 50 of the 2022 Interim Report:

- the amount of current account payment as of 30 June 2022 should be RMB46,513,483.35
- the amount of others as of 30 June 2022 should be RMB2,488,704.33

The board of directors of the Company is of the opinion that the adjustments set out in this announcement are appropriate. At the same time, the Auditor is of the opinion that such adjustments are based on the audit adjustments in the course of the A Share Listing and will not have any material impact on the financial position and results of operations of the Company during the above-mentioned reporting period and will not affect the type of audit opinion issued.

By Order of the Board
Jilin Province Chuncheng Heating Company Limited*
Liu Changchun
Chairman

Jilin, the PRC, 30 November 2022

As at the date of this announcement, the non-executive Director is Mr. Liu Changchun (Chairman); the executive Directors are Mr. Yang Zhongshi, Mr. Shi Mingjun, Mr. Xu Chungang and Mr. Li Yeji; and the independent non-executive Directors are Mr. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man.

* *For identification purpose only*