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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)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **FINANCIAL HIGHLIGHTS FOR THE 2020 RESULTS ANNOUNCEMENT**

- The revenue for the year ended 31 December 2020 was RMB1,897 million, representing an increase of 21.49% over the comparative figure of 2019
- The profit before tax for the year ended 31 December 2020 was RMB204 million, representing an increase of 13.38% over the comparative figure of 2019
- The net profit attributable to equity holders of the Company for the year ended 31 December 2020 was RMB165 million, representing an increase of 23.32% over the comparative figure of 2019
- Earnings per share for the year ended 31 December 2020 was RMB0.35, unchanged from the comparative figure of 2019
- The Board proposed the distribution of a final dividend of RMB0.103 per share (tax inclusive) for the year ended 31 December 2020.

The board of Directors (the “**Board**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019. The results were prepared in accordance with the disclosure requirements under the ASBEs.

## COMBINED STATEMENT OF FINANCIAL POSITION

(presented in RMB'000 unless otherwise stated)

<b>Item</b>	<b>31 December 2020</b>	31 December 2019
<b>CURRENT ASSETS:</b>		
Monetary fund	732,404	701,817
Held-for-trading financial assets	50,000	–
Derivative financial assets	–	–
Bills receivable	223	–
Trade receivables	267,095	312,375
Trade receivables financing	125,255	–
Prepayments	449,878	386,833
Premiums receivable	–	–
Reinsurance receivables	–	–
Reinsurance contract reserves receivables	–	–
Other receivables	1,438	167,580
Financial assets sold for repurchase	–	–
Inventories	11,840	27,927
Contract assets	234,145	198,861
Assets held for sale	–	–
Non-current assets due within one year	–	–
Other current assets	4,482	4,669
<b>TOTAL CURRENT ASSETS</b>	<b>1,876,760</b>	<b>1,800,061</b>

<b>Item</b>	<b>31 December 2020</b>	31 December 2019
<b>NON-CURRENT ASSETS:</b>		
Debt investments	–	–
Other debt investments	–	–
Long-term receivables	–	–
Long-term equity investments	–	57,561
Other equity instrument investments	–	–
Other non-current financial assets	–	52,665
Investment properties	<b>7,870</b>	8,227
Fixed assets	<b>1,095,061</b>	1,273,287
Construction-in-progress	<b>34,512</b>	9,107
Biological assets	–	–
Oil and gas assets	–	–
Right-of-use assets	<b>1,327</b>	2,504
Intangible assets	<b>3,963</b>	17,014
Development costs	–	–
Goodwill	<b>167,112</b>	167,112
Long-term deferred expenditures	<b>6,072</b>	8,775
Deferred income tax assets	<b>37,688</b>	28,131
Other non-current assets	–	–
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<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,353,607</b>	1,624,383
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<b>TOTAL ASSETS</b>	<b>3,230,367</b>	3,424,444
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Item	31 December 2020	31 December 2019
<b>CURRENT LIABILITIES:</b>		
Short-term borrowings	–	10,715
Held-for-trading financial liabilities	–	–
Derivative financial liabilities	–	–
Bills payable	–	–
Trade payables	628,310	477,865
Advances	27	878
Contract liabilities	1,453,414	1,365,795
Salaries payable	32,336	21,901
Tax payable	71,439	61,919
Other payables	31,603	50,833
Liabilities held for sale	–	–
Non-current liabilities due within one year	777	1,972
Other current liabilities	5,322	–
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<b>TOTAL CURRENT LIABILITIES</b>	<b>2,223,228</b>	<b>1,991,877</b>
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<b>NON-CURRENT LIABILITIES:</b>		
Long-term borrowings	–	–
Bonds payable	–	–
Of which: Preference shares	–	–
Perpetual bonds	–	–
Long-term payables	2,775	52,079
Long-term salaries payable	27,710	21,920
Lease liabilities	696	1,277
Deferred income	55,340	54,837
Deferred income tax liabilities	42,123	38,025
Other non-current liabilities	350	–
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<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>128,994</b>	<b>168,139</b>
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<b>TOTAL LIABILITIES</b>	<b>2,352,222</b>	<b>2,160,017</b>
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<b>Item</b>	<b>31 December 2020</b>	31 December 2019
<b>EQUITY:</b>		
Share capital	<b>466,700</b>	466,700
Other equity instruments	–	–
Of which: Preference shares	–	–
Perpetual bonds	–	–
Capital reserve	<b>86,540</b>	559,176
Less: Treasury stock	–	
Other comprehensive income	<b>(619)</b>	1,903
Special reserves	<b>8,146</b>	5,147
Surplus reserve	<b>31,277</b>	20,101
Undistributed profits	<b>286,101</b>	211,400
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Total owners' equity attributable to the parent company	<b>878,146</b>	1,264,427
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Minority interests	–	–
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<b>TOTAL EQUITY</b>	<b>878,146</b>	1,264,427
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<b>TOTAL LIABILITIES AND TOTAL EQUITY</b>	<b>3,230,367</b>	3,424,444
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## COMBINED INCOME STATEMENT

Item	2020	2019
<b>I. TOTAL OPERATING INCOME</b>	<b>1,896,949</b>	1,561,415
Of which: Operating income	<b>1,896,949</b>	1,561,415
<b>II. TOTAL OPERATING COSTS</b>	<b>1,719,468</b>	1,379,187
Of which: Operating costs	<b>1,589,496</b>	1,270,077
Taxes and surcharges	<b>5,984</b>	4,169
Selling expenses	–	2,423
Administrative expenses	<b>121,123</b>	101,477
Research and development expenses	<b>6,799</b>	2,389
Finance costs	<b>(3,932)</b>	(1,347)
Of which: Interest expenses	<b>9,612</b>	4,824
Interest income	<b>(11,726)</b>	(8,489)
Add: Other income	<b>11,680</b>	16,918
Investment income	<b>10,482</b>	336
Of which: Investment income from associates and joint ventures	–	–
Gain on derecognition of financial assets measured at amortized cost	–	–
Net gain from hedging exposure	–	–
Gain on changes in fair value	<b>(2,665)</b>	–
Credit impairment loss	<b>(6,383)</b>	(12,729)
Impairment loss on assets	<b>(6,877)</b>	(7,174)
Gain on disposal of assets	–	–
<b>III. OPERATING PROFIT</b>	<b>183,717</b>	179,579
Add: Non-operating income	<b>21,480</b>	873
Less: Non-operating expenses	<b>760</b>	148

<b>Item</b>	<b>2020</b>	2019
<b>IV. TOTAL PROFIT</b>	<b>204,436</b>	180,304
Less: Income tax expenses	<b>39,220</b>	46,333
<b>V. NET PROFIT</b>	<b>165,217</b>	133,971
(I) Classified by continuity of operation:		
1. Net profit from continuing operation	<b>165,217</b>	133,971
2. Net profit from discontinued operation	-	-
(II) Classified by ownership:		
1. Net profit attributable to owners of the parent company	<b>165,217</b>	133,971
2. Minority interests	-	-
<b>VI. OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>(2,522)</b>	2,264
(I) Other comprehensive income attributable to owners of the parent company, net of tax	<b>(2,522)</b>	2,264
1. Other comprehensive income that may not be reclassified to profit or loss	<b>(2,522)</b>	2,264
(1) Changes from re-measurement of defined benefit plans	<b>(2,522)</b>	2,264
(2) Other comprehensive income that may not be transferred to profit or loss under the equity method	-	-
(3) Changes in fair value of other equity instrument investments	-	-
(4) Changes in fair value of the company's own credit risk	-	-
(5) Others	-	-

Item	2020	2019
2. Other comprehensive income that may be reclassified to profit or loss	—	—
(1) Other comprehensive income that may be transferred to profit or loss under the equity method	—	—
(2) Changes in fair value of other debt investments	—	—
(3) Changes in fair value of available-for-sale financial assets	—	—
(4) Amounts of financial assets reclassified to other comprehensive income	—	—
(5) Profit of loss from held-to maturity investments reclassified to available-for-sale financial assets	—	—
(6) Credit impairment provision for other debt investments	—	—
(7) Reserves for cash flows hedges	—	—
(8) Differences on foreign currency translation	—	—
(9) Others	—	—
(II) Other comprehensive income attributable to minority shareholders, net of tax	—	—
<b>VII. TOTAL COMPREHENSIVE INCOME</b>	<b>162,695</b>	<b>136,235</b>
(I) Total comprehensive income attributable to owners of the parent company	<b>162,695</b>	136,235
(II) Total comprehensive income attributable to minority shareholders	—	—
<b>VIII. EARNINGS PER SHARE</b> <b>(denominated in RMB):</b>		
(I) Basic earnings per share	<b>0.35</b>	0.35
(II) Diluted earnings per share	<b>0.35</b>	0.35

## NOTES TO FINANCIAL STATEMENTS

### 1. CORPORATE AND GROUP INFORMATION

Jilin Province Chuncheng Heating Company Limited (the “Company”), formally known as “Jilin Province Changre New Energy Co., Ltd.” or “Jilin Province Chuncheng Heating Limited Liability Company”, is a joint stock company with limited liability established in the People’s Republic of China (the “PRC”) on 23 October 2017. The registered office of the Company is located at 28/F (Hong Cheng Xiyu), 998 Nanhu Avenue, Nanguan District Sub-district B, Changchun, Jilin Province, the PRC.

The H Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange on 24 October 2019.

During the year, the Company and its subsidiaries (collectively, the “Group”) were involved in the following principal activities:

- (1) Heat supply, including the provision and distribution of heat, pipeline connection fee and heat transmission;
- (2) Construction, maintenance and design services and others;

The controlling shareholder of the Company is Changchun Heating Group, a company established in the PRC and wholly-owned by the State-owned Assets Supervision and Administration Commission of Changchun (the “SASAC Changchun”) (長春市人民政府國有資產監督管理委員會).

### 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company carried out recognition and measurement based on actual transactions and events occurred and in accordance with the requirements of the Accounting Standards for Business Enterprises – Basic Standards (《企業會計準則—基本準則》) and specific accounting standards for business enterprises, the Application Guidance for Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other relevant requirements (hereafter collectively referred as “ASBEs”) published by the Ministry of Finance of the PRC, and on the basis of such requirements, prepared the financial statements with regards to the requirements of the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reports (2014 Revision) issued by the China Securities Regulatory Commission (the “CSRC”).

### **3. GOING CONCERN**

The Company has assessed its ability to continue as a going concern for the next 12 months from the end of the reporting period, and has not identified any matters or circumstances that cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern assumption.

### **4. BUSINESS COMBINATION**

On 29 October 2020, the Group entered into an equity acquisition agreement with Changchun Heating Group for the acquisition of 100% equity interest in Yatai Heating. The equity transfer price paid by the Group amounted to RMB318,376,000.

The Company and Yatai Heating are controlled by Changchun Heating Group before and after the combination and such control is not transitory, therefore, the merger of Yatai Heating by the Company represents a business combination under common control and the actual controlling party of which is Changchun Heating Group.

As such, the Company retrospectively adjusted the opening balance of the financial statements for 2020 and the relevant financial statements for the corresponding period of the previous year in accordance with the relevant requirements for business combinations under common control. According to the requirements of "ASBE No. 20 – Business Combination", for business combinations involving entities under common control, save for the adjustments made as a result of different accounting policies, the assets and liabilities obtained in a business combination by the acquirer from the acquiree shall be measured at the acquiree's carrying amounts as stated in the combined financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the costs for the combination and the carrying amount of the net assets obtained in the combination shall be adjusted to capital reserve (share premium), and if the balance of capital reserve is insufficient, any excess difference shall be adjusted to retained earnings. In preparing the combined financial statements for the period of combination, adjustments shall be made to the opening balance of the combined statement of financial position and to the relevant items in the comparative statements, as if the reporting entity after combination has been in existence from the point when the control by the ultimate controlling party has commenced. In preparing the comparative financial statements, the relevant assets and liabilities of the acquiree shall be consolidated, while the increase in net assets as a result of the combination shall be adjusted in the comparative financial statements against the capital reserve (share premium) under owners' equity.

Details of the retrospective adjustments on figures in the comparative financial statements of the Company in relation to the business combination under common control in 2020 are set out below:

<b>Item</b>	<b>Prior to the retrospective adjustments</b>	<b>Retrospective adjustments</b>	<b>After the retrospective adjustments</b>
<b>CURRENT ASSETS:</b>			
Monetary fund	699,940	1,877	701,817
Trade receivables	308,955	3,420	312,375
Prepayments	375,133	11,700	386,833
Other receivables	4,341	163,239	167,580
Inventories	9,105	18,822	27,927
Contract assets	198,861	–	198,861
Non-current assets due within one year	–	–	–
Other current assets	4,665	4	4,669
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<b>TOTAL CURRENT ASSETS</b>	<b>1,600,999</b>	<b>199,062</b>	<b>1,800,061</b>
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<b>NON-CURRENT ASSETS:</b>			
Long-term equity investments	57,561	–	57,561
Other non-current financial assets	–	52,665	52,665
Investment properties	41	8,185	8,227
Fixed assets	866,626	406,661	1,273,287
Construction-in-progress	8,574	533	9,107
Right-of-use assets	2,504	–	2,504
Intangible assets	3,783	13,230	17,014
Long-term deferred expenditures	8,775	–	8,775
Deferred income tax assets	24,877	3,254	28,131
Goodwill	–	167,112	167,112
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<b>TOTAL NON-CURRENT ASSETS</b>	<b>972,741</b>	<b>651,642</b>	<b>1,624,383</b>
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<b>TOTAL ASSETS</b>	<b>2,573,740</b>	<b>850,704</b>	<b>3,424,444</b>
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Item	Prior to the retrospective adjustments	Retrospective adjustments	After the retrospective adjustments
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings	10,715	–	10,715
Trade payables	398,137	79,728	477,865
Advances	–	878	878
Contract liabilities	1,150,057	215,737	1,365,795
Salaries payable	21,828	73	21,901
Tax payable	60,208	1,712	61,919
Other payables	47,463	3,370	50,833
Non-current liabilities due within one year	1,972	–	1,972
Other current liabilities	–	–	–
	<u>1,690,379</u>	<u>301,498</u>	<u>1,991,877</u>
<b>TOTAL CURRENT LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES:</b>			
Long-term payables	–	52,079	52,079
Long-term salaries payable	9,191	12,730	21,920
Lease liabilities	1,277	–	1,277
Deferred income	32,442	22,395	54,837
Deferred income tax liabilities	–	38,025	38,025
Other non-current liabilities	–	–	–
	<u>42,910</u>	<u>125,230</u>	<u>168,139</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>			
<b>TOTAL LIABILITIES</b>			
	<u>1,733,289</u>	<u>426,728</u>	<u>2,160,017</u>
<b>EQUITY:</b>			
Share capital	466,700	–	466,700
Capital reserve	135,199	423,976	559,176
Other comprehensive income	1,903	–	1,903
Special reserves	5,147	–	5,147
Surplus reserve	20,101	–	20,101
Retained earnings	211,400	–	211,400
	<u>840,451</u>	<u>423,976</u>	<u>1,264,427</u>
Total owners' equity attributable to the parent company	<u>840,451</u>	<u>423,976</u>	<u>1,264,427</u>
<b>TOTAL EQUITY</b>			
	<u>840,451</u>	<u>423,976</u>	<u>1,264,427</u>
<b>TOTAL LIABILITIES AND TOTAL EQUITY</b>			
	<u>2,573,740</u>	<u>850,704</u>	<u>3,424,444</u>

## 5. OPERATING SEGMENT INFORMATION

For management purposes, the Group considers the business from the perspective of service activities, which mainly include the following two reportable segments:

- (1) Heat supply, including the provision and distribution of heat, pipeline connection fee and heat transmission; and
- (2) Construction, maintenance and design services, including certain rental services and the sales of goods.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. The operating segments are each managed separately because they distribute distinct products/services with different production/distribution processes and due to their distinct operating and gross margin characteristics. Segment performance is evaluated based on reportable segment profit/loss, which is measured consistently with the Group's profit/loss before tax.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the contractual prices which are comparable to prevailing market prices.

<b>Year ended 31 December 2020</b>	<b>Heat supply RMB'000</b>	<b>Construction, maintenance and design services RMB'000</b>	<b>Total RMB'000</b>
<b>Segment revenue</b>			
Sales to external customers	1,427,832	469,117	1,896,949
Intersegment sales	6,721	75,468	82,188
	<u>1,434,553</u>	<u>544,585</u>	<u>1,979,138</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(82,188)</u>
Revenue			<u><u>1,896,949</u></u>
<b>Year ended 31 December 2019</b>	<b>Heat supply RMB'000</b>	<b>Construction, maintenance and design services RMB'000</b>	<b>Total RMB'000</b>
<b>Segment revenue</b>			
Sales to external customers	964,237	597,178	1,561,415
Intersegment sales	–	39,021	39,021
	<u>964,237</u>	<u>636,199</u>	<u>1,600,436</u>
<b>Reconciliation:</b>			
Elimination of intersegment sales			<u>(39,021)</u>
Revenue			<u><u>1,561,415</u></u>

## 6. TRADE RECEIVABLES

### (1) Trade receivables by ageing

Ageing	31 December 2020	31 December 2019
Within 1 year	214,235	302,287
1-2 years	65,307	27,985
2-3 years	6,692	9,315
3-4 years	7,871	2,514
4-5 years	2,084	2,846
Over 5 years	12,636	10,541
Sub-total	<u>308,826</u>	<u>355,487</u>
Less: Provision for bad debts	<u>41,731</u>	<u>43,112</u>
Total	<u>267,095</u>	<u>312,375</u>

## 7. CONTRACT ASSETS

Item	1 January 2020			31 December 2020		
	Balance of carrying amount	Impairment provision	Carrying amount	Balance of carrying amount	Impairment provision	Carrying amount
Warranty	20,770	1,196	19,574	19,664	1,533	18,131
Work completed but not billed	193,159	13,873	179,286	230,138	14,125	216,013
Total	<u>213,929</u>	<u>15,069</u>	<u>198,861</u>	<u>249,802</u>	<u>15,658</u>	<u>234,145</u>

## 8. TRADE PAYABLES

Item	31 December 2020	31 December 2019
Within 1 year	533,402	380,264
1-2 years	57,542	48,126
2-3 years	20,393	44,465
3-4 years	12,059	2,539
4-5 years	2,441	159
Over 5 years	2,471	2,312
Total	<u>628,310</u>	<u>477,865</u>

## 9. CONTRACT LIABILITIES

Item	31 December	31 December
	2020	2019
Heat supply	1,442,791	1,354,405
Construction, maintenance and design services and others	10,622	11,390
Less: Included in other non-current liabilities	—	—
Total	<u>1,453,414</u>	<u>1,365,795</u>

## 10. OPERATING INCOME AND OPERATING COSTS

Item	2020	
	Income	Cost
Principal business	1,888,159	1,583,355
Other businesses	8,790	6,141
	<u>1,896,949</u>	<u>1,589,496</u>

Item	2019	
	Income	Cost
Principal business	1,559,936	1,268,994
Other businesses	1,479	1,083
	<u>1,561,415</u>	<u>1,270,077</u>

## 11. INCOME TAX EXPENSES

### (1) List of income tax expenses

Item	2020	2019
Current income tax expenses	56,955	51,801
Deferred income tax expenses	(17,736)	(5,469)
Total	<u>39,220</u>	<u>46,333</u>

**(2) Reconciliation between accounting profit and income tax expenses**

Item	2020	2019
Total profit	204,436	180,304
Income tax expenses calculated at the statutory/applicable tax rate	51,109	45,076
Effects of different tax rates applied to subsidiaries	(3,185)	(180)
Effects of adjustment on previous income tax	–	–
Effects of income not subject to tax	(8,133)	(93)
Effects of non-deductible costs, expenses and losses	983	490
Effects of utilising deductible losses not recognised as deferred income tax assets in previous period	(579)	–
Effects of deductible temporary differences or deductible losses not recognised as deferred income tax assets in current period	132	1,207
Additional deductible cost under tax law	(1,107)	(167)
	<u>39,220</u>	<u>46,333</u>
Income tax expenses	<u>39,220</u>	<u>46,333</u>

**12. RETURN ON NET ASSETS AND EARNINGS PER SHARE**

Profit during the reporting period	Weighted average return on net assets (%)	2020 Earnings per share Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	12.27%	0.35	0.35
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	<u>9.27%</u>	<u>0.27</u>	<u>0.27</u>

**13. DIVIDEND**

	2020	2019
Final dividend proposed after the end of the reporting period of RMB0.103 (2019: RMB0.17) per share	<u>48,070</u>	<u>79,339</u>

The Board resolved on 26 March 2021 that a dividend of RMB0.103 per share is to be distributed to the shareholders for the year ended 31 December 2020, subject to approval of the shareholders at the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. Industry Overview

In recent years, with the rapid growth of China's urbanization rate, as well as the driving force of economic development, the central heat service industry has always maintained a growing trend, with the coverage of heat service area and the quality of heating service both improving significantly. The heat supply industry still has huge room for development in the future.

According to industry data, the total urban central heat service area in China increased from 6.72 billion sq.m. in 2015 to 9.25 billion sq.m. in 2019, representing a compound annual growth rate of 8.32%. The total urban central heat service area in the northeast region increased from 2.15 billion sq.m. in 2015 to 2.63 billion sq.m. in 2019, representing a compound annual growth rate of 5.17%.

Urban heat supply can be divided into cogeneration, coal/gas-fired boilers, industrial waste heat, heat pumps and other heat sources (such as geothermal energy and solar energy) based on supply sources. Due to increasing concerns over thermal efficiency and pollutant emission level, heat supply methods that are efficient and environmentally friendly such as cogeneration and industrial waste heat have been strongly promoted in recent decades, which has not only accelerated the development of the Group's heat supply business, but also effectively driven the growth of its construction, maintenance and design businesses.

The National Energy Administration of the PRC strongly advocates the use of a variety of renewable energy sources for heating purposes in northern China, adhering to the development concepts of "prioritising ecological conservation and boosting green development (生態優先、綠色發展)", and the use of renewable energy for heating has become an urgent need for the PRC to adjust its energy structure, cope with climate change and to reasonably control the total energy consumption, as well as an inevitable choice to achieve the target of utilising non-fossil energy, building a clean and low-carbon society and achieving sustainable energy development. Policy guidance will also help heat supply companies to gain further community support on their road to develop other renewable energy sources for heating.

In addition, the PRC government has continued to give preferential tax incentives to heat supply companies in northern China and exempted the value-added tax on income from heat supply fees received by heat supply companies for supplying heat to residents, reflecting the PRC government's utmost concern and strong support for the heating industry, which is conducive to the sustainable operation and development of heat supply companies.

## II. Business Review

In 2020, amidst the severe challenges posed by the COVID-19 pandemic and the complex and ever-changing domestic and international environment, the Group persisted in focusing on quality and efficiency powered by reform and innovation, continued to enhance its overall corporate strength, increased investment in technology research and development and broadened the channels for nurturing talents, all of which have enabled the Group to maintain its leading position in the domestic smart heating sector. During the Reporting Period, the quality of the Group's heating services improved steadily while the scale of the construction, maintenance and design services continued to expand. The Group achieved remarkable results in mergers and acquisitions within the industry and overall operating results grew steadily compared with last year.

### *(1) Heat Supply Business*

As of the end of 2020, the Group was the largest heat service provider in Jilin Province. Heat supply is our core business. Over two decades' operating history of heat supply enabled the Group to accumulate extensive experience in the heating industry and establish its leading position in the industry. The Group's heat supply business mainly adopts the clean heating model of purchasing heat from power plants through a smart heat supply network system, which enabled us to carry out our heat supply business with precision and efficiency.

During 2020, the scale of the Group's heat supply business and revenue from heat supply business increased significantly due to the successful acquisition of 50% equity interest in Xixing Energy and 100% equity interest in Yatai Heating. As at 31 December 2020, the Group's heat service area was 60.20 million sq.m., representing an increase of 20.70 million sq.m. or 52.41% from 39.50 million sq.m. in 2019. As for the number of heat supply users, as at 31 December 2020, the Group had 505,788 heat supply users, representing an increase of 185,455 users or 57.89% from 320,333 users in 2019. As at 31 December 2020, the Group's revenue from heat supply business was RMB1,427.83 million, representing an increase of RMB467.13 million or 49% from RMB960.7 million in 2019.

## 1. The Company

### *Customers*

Customers of our heat supply business are generally residential and non-residential users within the Company's heat service area. The table below sets out a breakdown of number of, and revenue contribution by, residential and non-residential users as at 31 December 2020.

	As at/for the year ended 31 December			
	2020		2019	
	Number of customers	% of revenue from heat supply and distribution	Number of customers	% of revenue from heat supply and distribution
Residential users <sup>(1)</sup>	285,174	64.42%	285,146	66.2%
Non-residential users <sup>(2)</sup>	35,278	35.58%	35,187	33.8%
<b>Total</b>	<b>320,452</b>	<b>100%</b>	<b>320,333</b>	<b>100%</b>

### *Notes:*

- (1) The number of residential users is per household.
- (2) Non-residential users include commercial users and other users which primarily include industrial users, corporate users and underground car park.

### *Heat procurement*

In 2020, the Company continued its operation of clean heating through cogeneration, and provided heat supply service covering an area of 40.27 million sq.m. in Changchun. The Company's heat source providers are three large cogeneration plants in Changchun, in particular, our primary pipelines are the only primary heat supply pipelines connecting No.4 Cogeneration Plant and No.5 Cogeneration Plant to the inner urban areas of Changchun. Through the integrated heat distribution network and effective control under the smart heat supply network system, the heat efficiency and safety of the Company had been further improved, and we were able to control the distribution of heat purchased to a certain extent, thus established a lead in the heat supply market of Changchun. Currently, the heat purchased from the cogeneration plants is able to meet all of the Company's needs for its heat supply business.

According to the notice issued by Changchun Municipal Development and Reform Commission on 19 October 2020, starting from the heat supply period of 2020-2021, the ex-factory price of heat supply of the cogeneration enterprises has been adjusted to RMB36/GJ (9% VAT included). As at 31 December 2020, the total heat procurement by the Group amounted to 21.05 million GJ and 13.91 million GJ of heat was used for the Company's heat production purpose.

### *Heat transmission*

As at 31 December 2020, approximately 7.14 million GJ of heat procurement quota obtained from the cogeneration plants by the Company was transferred to five heat service providers (including Yatai Heating). We received a total heat transmission fee of RMB21.43 million, representing an increase of 79.33% from that of 2019. Heat procured from the cogeneration plants is first used to satisfy our own needs for heat supply.

The following table sets forth the breakdown of the usage of the Company's heat procurement as at 31 December 2020:

	<b>As at/for the year ended</b>	
	<b>31 December</b>	
	<b>2020</b>	2019
Estimated heat procurement quota (GJ) <sup>(1)</sup>	<b>20,800,000</b>	19,283,333
Heat procurement quota transferred (GJ) <sup>(2)</sup>	<b>7,141,418</b>	5,655,926
Actual consumption (GJ) <sup>(3)</sup>	<b>13,908,768</b>	14,180,965
Total heat procured (GJ) <sup>(4)</sup>	<b>21,050,186</b>	19,836,891
Utilization rate <sup>(5)</sup>	<b>66.9%</b>	73.5%
Heat service area (million sq.m.) <sup>(6)</sup>	<b>40.27</b>	39.50

*Notes:*

- (1) The heat procurement quota was an estimate of the heat procurement prior to each heat supply period based on the historical heat procurement amount.
- (2) During the Reporting Period, we transferred certain portion of procured heat to five other heat service providers. We charged heat transmission fees accordingly.
- (3) Actual consumption of heat procured by us represents the aggregate amount of actual heat supply and consumption data each month as recorded by a measuring equipment and reviewed and agreed by each of five local cogeneration plants and us.
- (4) The total heat procured was the sum of heat procurement quota transferred and the actual consumption. Procurement of heat exceeding the estimated heat procurement quota is subject to the supplemental agreements between the cogeneration plants and us.
- (5) Utilization rate of heat procurement is calculated by dividing the actual consumption by the estimated heat procurement quota.
- (6) Gross floor areas covered by heat supply include heat service area which we fully or partially charge for heat fees.

### *Smart heat supply network system*

In 2020, with an emphasis on strengthening the transformation of scientific and technological results and by focusing on improving the corporate innovation capacity, the Company continued to strengthen the construction of smart heat supply network system and is currently working on two research and development projects:

1. Big data system for smart heat supply
  - (1) Completed the vertical correlation arrangement of the data relationships between the “energy-saving monitoring platform for smart heat supply (智慧供熱節能監控平台)”, the “heat supply billing management system (供熱計費管理系統)” and the “customer service management system for heat supply (供熱客戶服務管理系統)”; further completed the horizontal correlation arrangement of the three systems by using user as the linkage point; and fixed the problem of inconsistent correspondence of the data dictionary<sup>(1)</sup> through user and system matrices.
  - (2) Established a star schema for data exchange; and completed the co-sharing arrangement and the mechanism definition for each system, including entry-based planning<sup>(2)</sup> and memory-based planning.
  - (3) Built a cross-system joint<sup>(3)</sup> statistical analysis model that can support statistics and presentation in any time and space domain.
  - (4) Implemented the Company’s desktop<sup>(4)</sup> display system, including: production information, operational information, asset information and service information.

## 2. 3D pipeline system

- (1) Completed the construction of a GIS-based<sup>(5)</sup> database; and established a scheme for core graphical symbols and vector data of the heat supply elements.
- (2) Formulated mapping relations between 3D definitions, rendered definitions and data; and completed the 3D production of subdivisions, buildings, communication pipelines and thermal pipelines.
- (3) Developed interface definitions between 3D images and various types of data; completed predefined layers for data presentation to interaction.

### *Notes:*

- (1) Data dictionary is a database accessible by users and a catalog for application metadata.
- (2) Entry means writing data safely to magnetic disks.
- (3) Joint means jointly establish.
- (4) Desktop means the display interface of the big data system.
- (5) GIS (Geographic Information System) is a computer system for inputting, storing, checking, analysing and displaying geographic data.

### *Heat supply emergency repair*

The Company always upholds a philosophy of “timely emergency repair and strong protection (搶修及時，保障有力)” and attaches great importance to the quality of heating service while always ensuring safe and stable operation of heat supply network as a prerequisite for heat supply. During the non-heating period, the Company has prepared a scientific summer inspection and repair plan containing meticulous planning and a clear division of labor, coupled with mutual cooperation and supervision between the management personnel and the repair team, all of which helped standardize and evaluate the repair work and laid a solid foundation for the stable operation of heat supply during the heating period. The Company has handled a total of 101 cases of emergency repairs of all kinds this year, and has carried out such repair and maintenance in strict accordance with the heat supply emergency repair program and procedures.

## **2. Xixing Energy**

Xixing Energy is mainly engaged in heat production and supply, hot water supply, construction of heat supply pipelines and maintenance of heat supply facilities, with a heat supply service coverage covering Luyuan District and the Automotive Industries Development Area of Changchun. As at 31 December 2020, Xixing Energy had a heat supply area of 3.46 million sq.m. and a total of 30,829 users, including 27,921 residential users and 2,908 non-residential users. During 2020, Xixing Energy's actual heat output to its heat supply area totaled 1.10 million GJ, of which 0.61 million GJ was produced internally and 0.49 million GJ was purchased heat.

## **3. Yatai Heating**

Yatai Heating is a heat supply company mainly engaged in heat service business, with a focus in cogeneration supplemented by procurement of heat from coal-fired boilers. At present, Yatai Heating's heat supply service covers Chaoyang District, Nanguan District, Erdao District, Luyuan District and the Automotive Industries Development Area of Changchun.

As at 31 December 2020, Yatai Heating had a heat supply area of 16.47 million sq.m. and a total of 154,507 users, including 135,937 residential users and 18,570 non-residential users. During 2020, Yatai Heating's actual heat output to its heat supply area totaled 6.15 million GJ.

(2) *Construction, Maintenance and Design Services*

The Group's construction, maintenance and design services cover the peripheral services business of the heat supply industry chain. Our main services include engineering construction, engineering maintenance, design services and electrical instrument maintenance. These services mainly cover northeast China. For the year ended 31 December 2020, revenue generated from the Group's construction, maintenance and design services amounted to RMB469.12 million, representing a decrease of RMB131.58 million, or 21.9%, from RMB600.7 million in 2019.

1. *Engineering construction*

For the year ended 31 December 2020, revenue generated from engineering construction amounted to RMB247.25 million, representing a decrease of RMB119.15 million, or 32.51%, from RMB366.4 million in 2019. This was mainly due to the completion of the "Three Supplies and Property Management (三供一業)" projects in 2020.

In 2020, our engineering construction business was mainly focused on the following: 1) maintaining steady development in Changchun while actively expanding the engineering projects in other cities in Jilin Province, adopting the strategy of using multiple teams for separate follow up, focusing on solving key and difficult issues in engineering projects; 2) accelerating the closeout of works related to the "Three Supplies and Property Management (三供一業)" projects of Shenyang Railway Group; 3) strengthening production safety and epidemic prevention, control and management to ensure that no major safety incidents occur in engineering construction projects throughout the year.

2. *Engineering maintenance*

For the year ended 31 December 2020, revenue generated from engineering maintenance amounted to RMB192.58 million, representing a decrease of RMB28.22 million, or 12.78%, from RMB220.8 million in 2019. This was mainly due to a decrease in external engineering work as compared with the previous period.

In 2020, our engineering maintenance business was mainly focused on the following: 1) expanding the scope of heat supply projects in other cities within Jilin Province and completing the upgrade and renovation for a number of heat supply systems, equipment and facilities with high quality, efficient and comprehensive services. Due to the impact of the pandemic and related force majeure events, certain external works could not be carried out and the workload was partially reduced compared to the previous period; 2) carrying out geothermal cleaning, appliance cleaning and other convenience services to further increase the revenue of other businesses.

3. *Design services*

For the year ended 31 December 2020, revenue generated from design services amounted to RMB17.78 million, representing an increase of RMB8.08 million, or 83.32%, from RMB9.7 million in 2019. The was mainly due to a new customer, Yanji Heating Company, was acquired during the period and various engineering design works were provided to this company.

In 2020, the design services business was mainly focused on the following: 1) obtaining a number of qualification certificates: Grade B Qualification Certificate of Engineering Cost Consulting Enterprises (工程造價諮詢企業乙級資質證書) issued by the Department of Housing and Urban-Rural Development of Jilin Province, Grade B Credit Qualification Certificate of Engineering Consulting Unit (工程諮詢單位乙級資信證書) issued by Jilin Association of Engineering Consultants, and Grade A Qualification Certificate of Professional Engineering Design for Municipal Industries (Thermal Engineering) (市政行業(熱力工程)專業工程設計資質甲級證書) issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China; 2) further increasing investments in scientific and technological innovation and R&D projects, adding 4 utility model patents authorized by the China National Intellectual Property Administration, obtaining 11 software copyrights issued by the National Copyright Administration of the People's Republic of China, and publishing 8 papers in National Periodicals; 3) carrying out school-enterprise cooperation with Jilin University and Changchun Institute of Technology, adding 5 new collaboration R&D projects and using the technological research results on smart technologies to continuously help the Group transform into a new modern enterprise.

#### 4. *Instrument maintenance*

For the year ended 31 December 2020, revenue generated from instrument maintenance amounted to RMB2.72 million, representing an increase of RMB2.59 million, or 1,992%, from RMB0.13 million in 2019. The was mainly due to the acquisition of a subsidiary customer, namely Yanji Heating Company, and two new projects in relation to installation and commissioning work and sales of material during the period.

In 2020, the instrument maintenance business was mainly focused on the following: 1) expanding the business of manufacturing, installation and alteration of inverter cabinets on the basis of undertaking instrument inspection and maintenance and inverter maintenance; 2) achieving full coverage for the instrument inspection and maintenance business in the heat supply industry and enhancing the core competitiveness of the instrument inspection and maintenance business; 3) obtaining 13 software copyright certificates issued by the National Copyright Administration; 4) obtaining the certificate of high-tech enterprise issued by the Department of Science and Technology of Jilin Province.

### **(3) Safety Management**

The Group strictly follows the safety production policy of “safety first, with focus on prevention and implementing comprehensive management (安全第一、預防為主、綜合治理)”, continues to increase its effort in safety management, strives to improve the construction of a standardized production safety management system and strictly implements every production safety management system. Through the strengthening of safety education and training, supervision of production safety, investigation and rectification of safety hazards, safety review and construction safety management, the overall safety management level was continuously enhanced. During the Reporting Period, there were no major safety accidents in the Group.

### **(4) Technology and Research and Development**

In 2020, the Group established a technology research and development centre and put technological innovation as an important strategic layout for the future development, actively explored the possibility of in-depth integration between traditional heating model and “new infrastructure (新基建)”, continuously enhanced the important roles of information technology and digitalisation in the field of heat supply, and successfully improved the corporate management and operation. During the year, the Group had obtained a total of 20 invention patents, utility model patents and appearance patents issued by the National Intellectual Property Administration and 63 computer software copyright certificates issued by the National Copyright Administration, fully demonstrating its effort in technological innovation.

The Group has closely integrated its technological research and development with actual heat supply and production, and has implemented a total of 14 technological research and development projects, including the “Smart Heat Supply Network Big Data System (智慧熱網大數據系統)” and the “Circulating Pump Energy Saving Retrofit (循環泵節能改造)”, all of which have made substantial progress. As research and development progress gradually lead to actual production, technological transformation within the heat supply business will be promoted from different directions.

**(5) Honors and Awards**

On 3 December 2020, the Group was awarded the “Most Valuable Listed Company for Investment (最具投資價值上市公司)” in the 10th China Securities Golden Bauhinia Awards (中國證券金紫荊獎) and Mr. Liu Changchun, chairman of the Group, was honoured with the “Outstanding Entrepreneur of the Year (年度卓越企業家)” award.

**(6) Social Responsibility**

The Group has always taken the corporate mission of “leading the development of the industry and sincerely serving the society (引領行業發展，真誠服務社會)” as its inner drive to push forward, taken up social responsibility courageously and served the public with huge dedication, which helped contribute to the progress being made in the heat supply business and the stability of the people’s livelihood.

In 2020, the Group actively served the public, helped maintain social stability and demonstrated its responsibility as a state-owned enterprise when the COVID-19 pandemic broke out. During the pandemic, each heat supply business segments had set up their own special team for heat supply assurance to ensure stable heating for all social businesses.

At a time when the city’s blood inventory was unable to meet clinical demand due to the pandemic, the Group responded positively to the call for blood donation by co-ordinating and organising a blood donation campaign.

The Group used innovative service practices through the Internet to improve the quality of heat supply service. In order to open up channels for users’ opinions and suggestions and to solve actual heat supply problems, the Group has actively established 886 heat supply chat channels (one channel per small community) to release relevant heat supply information in a timely manner and solve users’ demands in real time.

The Group always attaches great importance to the protection of environment in the course of its heat supply operations, adheres to the principle of sustainable development and ensures that the level of environmental protection meets national standards by enhancing the construction of environmentally-friendly facilities and implementing measures like rational use of resources, energy conservation and waste treatment.

### III. Financial Position and Operating Results

#### (1) Operating Revenue

The Group's revenue increased by 21.49% to RMB1,896.95 million in 2020 as compared with RMB1,561.42 million in 2019, primarily due to the increase in the Group's heat supply business as a result of the acquisition of Xixing Energy and Yatai Heating during 2020. (i) Revenue from heat supply business of the Group increased by 48.62% to RMB1,427.83 million in 2020 as compared with RMB960.7 million in 2019, primarily due to the acquisition of two heat supply companies, namely Xixing Energy and Yatai Heating, and the increase in heat supply area of the Group during the period; (ii) revenue from construction, maintenance and design business decreased by 21.90% to RMB469.12 million in 2020 as compared with RMB600.7 million in 2019, primarily because the Group has completed its "Three Supplies and Property Management (三供一業)" projects in 2020, which resulted in a decrease in revenue.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	Change in percentage
<b>Heat supply, of which:</b>			
– Provision and distribution of heat	1,347,567	894,540	50.64%
– Pipeline connection fee	65,560	54,233	20.89%
– Heat transmission	14,705	11,951	23.04%
Subtotal	<u>1,427,832</u>	<u>960,724</u>	<u>48.62%</u>
<b>Construction, maintenance and design services, of which:</b>			
– Engineering construction	247,253	366,412	(32.52%)
– Engineering maintenance	192,575	220,774	(12.77%)
– Design services	17,781	9,743	82.51%
– Others	11,507	3,762	205.87%
Subtotal	<u>469,117</u>	<u>600,691</u>	<u>(21.90%)</u>
<b>Total</b>	<u><u>1,896,949</u></u>	<u><u>1,561,415</u></u>	<u><u>21.49%</u></u>

(2) *Operating Costs*

In 2020, the Group's cost of sales increased by 25.21% to RMB1,595.48 million as compared with RMB1,274.2 million in 2019.

The following table sets out a breakdown of the cost of sales by business segment:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	Change in percentage
<b>Cost of sales by business segment</b>			
Heat supply	1,181,521	761,032	55.25%
Construction, maintenance and design services	413,959	513,214	(19.34%)
<b>Total</b>	<b>1,595,480</b>	<b>1,274,246</b>	<b>25.21%</b>

*Heat supply costs*

Cost of sales for heat supply business primarily consists of heat procurement costs in connection with heat procurement from local cogeneration plants, cost of purchase of coal for heat produced by coal-fired boilers, repair and labor cost (primarily includes wages, salaries and benefits for our employees involved in provision and distribution of heat) and utility cost.

The breakdown of cost of sales by component for the heat supply business is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	Change in percentage
<b>Cost of sales for heat supply</b>			
Heat procurement cost	640,550	421,103	52.11%
Coal	37,658	–	
Maintenance and repair	75,702	70,194	7.85%
Labor	146,053	84,820	72.19%
Depreciation and amortization	134,310	86,484	55.30%
Utility	71,419	53,590	33.27%
Input VAT transferred out	45,808	30,246	51.45%
Others	30,021	14,595	105.69%
<b>Total</b>	<b>1,181,521</b>	<b>761,032</b>	<b>55.25%</b>

In 2020, the Group's heat procurement cost increased by 52.13% to RMB640.6 million as compared with RMB421.1 million in 2019, primarily due to (i) the unit price of heat (inclusive of tax) of No. 2 Cogeneration Plant and No. 4 Cogeneration Plant has risen to RMB36/GJ from RMB34/GJ with an increase of RMB2/GJ since the second half of 2020, which resulted in the increase in heat procurement cost; (ii) the acquisitions of 50% equity interest in Xixing Energy and 100% equity interest in Yatai Heating by the Group have increased the costs of heat procurement for Xixing Energy and Yatai Heating, which resulted in the increase of combined heat procurement cost.

In 2020, the Group's maintenance and repair costs increased by 7.83% to RMB75.7 million as compared with RMB70.2 million in 2019, primarily due to the increased repair costs incurred from the acquisition of Xixing Energy and Yatai Heating in 2020.

In 2020, the Group's labor cost increased by 72.19% to RMB146.05 million as compared with RMB84.8 million in 2019, primarily due to the acquisition of Xixing Energy and Yatai Heating since 2020 which resulted in an increase of staff.

In 2020, the Group's input VAT transferred out increased by 51.7% to RMB45.81 million as compared with RMB30.2 million in 2019, primarily due to the increase in input VAT transferred out as a result of the new acquisition of Yatai Heating.

#### *Costs for construction, maintenance and design services*

Cost of sales for construction, maintenance and design services primarily consists of cost of materials, labor, machinery and other costs. In 2020, the cost of sales for construction, maintenance and design services decreased by 19.34% to RMB413.96 million as compared with RMB513.2 million in 2019. The decrease in cost for this business was generally in line with the decrease in revenue.

**(3) Gross Profit and Gross Profit Margin**

In 2020, the Group's gross profit increased by 4.98% to RMB301.5 million as compared with RMB287.2 million in 2019. In 2020, the Group's gross profit margin decreased by 13.64% to 15.89% as compared with 18.4% in 2019. This was mainly due to the increase in the Company's heat supply fee and the year-on-year increase in maintenance expenses and labor costs as well as the decrease in construction projects this year, thus leading to a drop in gross profit margin.

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

	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
<b>Operating revenue</b>	<b>1,896,949</b>	1,561,415
Cost of sales	<b>1,595,479</b>	1,274,246
Gross profit	<b>301,470</b>	287,169
<b>Gross profit margin</b>	<b>15.89%</b>	18.4%

**(4) Selling Expenses**

In 2020, the Group's selling expenses decreased by 100% to RMB0 million from RMB2.42 million in 2019, primarily due to the absence of advertising expenses related to marketing activities during the year.

**(5) Administrative Expenses**

In 2020, the Group's administrative expenses increased by 19.36% to RMB121.12 million as compared with RMB101.48 million in 2019, primarily due to the increase in wages for management personnel during the year.

**(6) Finance Costs**

In 2020, the Group's finance costs decreased by 191.11% to RMB-3.93 million as compared with RMB-1.35 million in 2019, primarily due to the increase in interest income for the Group in 2020.

**(7) *Income Tax Expense***

In 2020, the Group's income tax expense decreased by 15.35% to RMB39.22 million as compared with RMB46.33 million in 2019, mainly due to the decrease in taxable income as calculated in accordance with the Enterprise Income Tax Law and its relevant regulations.

**(8) *Profit for the Year***

In 2020, the Group's profit increased by 23.32% to RMB165.22 million as compared with RMB133.97 million in 2019. The increase was mainly due to the increase in profit of the newly established subsidiaries.

**(9) *Liquidity and Capital Resources***

The Group's cash and cash equivalents increased by 4.64% to RMB732.4 million as at 31 December 2020, as compared with the balance of RMB699.9 million as at 31 December 2019, which was primarily due to (i) the increase in operating revenue of the Company by 22%, the net cash inflow from operating activities of RMB416.8 million; (ii) the combined outflow from investing activities and financing activities of RMB133.9 million. The main sources of the Group's operating capital were from (i) unutilised bank facilities of RMB500 million as at 31 December 2020; (ii) cash and cash equivalents of approximately RMB732.4 million as at 31 December 2020.

As at 31 December 2020, the Group do not have any borrowings as compared with RMB10.7 million as at 31 December 2019, representing a decrease of 100%.

**(10) *Capital Expenditure***

The Group's capital expenditure increased by 18.58% to RMB67.0 million in 2020 as compared with RMB56.5 million in 2019. The increase in capital expenditure was mainly attributable to the newly built pipeline network in 2020 and the increase in expenses for purchase of equipment as compared to 2019.

**(11) *Capital Structure***

As at 31 December 2020, the equity attributable to owners of the Group amounted to RMB878.15 million, which represents a decrease of RMB386.28 million as compared to 31 December 2019, mainly due to the combined effect of business combination of Yatai Heating under common control during the year.

#### **IV. Use of Proceeds from the Listing**

The H Shares of the Company were successfully listed on the Main Board of the Hong Kong Stock Exchange on 24 October 2019. A total of 116,700,000 H Shares with par value of RMB1.00 each were issued at the price of HK\$2.35 per Share through placing and Hong Kong offering, accounting for 25% of the total share capital after the issue, representing a financing scale of approximately HK\$274.2 million. The actual net proceeds from the offering, after deducting the underwriting commission and other estimated expenses in connection with the offering, amounted to approximately HK\$220.5 million (equivalent to approximately RMB199.5 million, the “**IPO Proceeds**”).

The Company will utilize the IPO Proceeds for the purposes which are consistent with those set out in the prospectus. On 29 October 2020, the Company published an announcement proposing to revise the planned use of the unused net proceeds, which was approved by the Shareholders at the extraordinary general meeting on 30 December 2020. As disclosed in the 2019 Annual Report and the 2020 Interim Report, most of the net proceeds earmarked for upgrading the smart heat supply network was originally intended to be used for upgrading of the Group’s system, purchasing relevant equipment and sensors and installation of the equipment in the heat exchange stations and end-users’ properties. Enhancement of the Group’s smart heat supply network system will involve physically entering the communities where the relevant end-users are located. During the COVID-19 pandemic, every community has employed different degrees of lockdown, which affects the progress of enhancement works. At the same time, the availability of foreign technicians and workers required to carry out the originally planned enhancement projects was also affected.

The primary distribution pipelines and heat supply facilities of the Group are sourced from all over the PRC and from overseas. Due to the outbreak of COVID-19, the supply of materials and workers necessary to implement the upgrading and replacement of the Group’s existing distribution pipelines and heat supply facilities is significantly slowed down and cannot keep up with the project timelines.

For the above reasons, the Directors proposed to reallocate a total of approximately RMB100.0 million originally planned for upgrading the smart heat supply network and upgrading and replacing of the Group’s existing distribution pipelines and heat supply facilities to acquisitions of suitable enterprises in order to expand the Group’s business, which was paid to Changchun Heating Group for the acquisition of Yatai Heating in full for satisfying an equivalent amount of the consideration.

Having considered the impact of the aforesaid changes, the Directors were of the view that there were no material changes in the nature of the business of the Group as stated in the prospectus dated 27 September 2019 in relation to the Listing. The revised allocation of the unused net proceeds would enable the Group to better utilize the net proceeds during the COVID-19 pandemic. Save for the aforesaid changes, there is no other change in the uses of the net proceeds. The Directors confirm that there is no material change in the nature of the business of the Group as set out in the prospectus. The Directors consider that the above changes in the uses of the net proceeds are fair and reasonable, as they would allow the Group to deploy its financial resources more effectively. The Directors believe that the above changes will not have any material adverse effect on the existing business and operation of the Group and is in the best interests of the Company and the Shareholders as a whole.

Details of the IPO Proceeds are set out below:

Use of net proceeds (RMB million (% of net proceeds))	Original planned use of net proceeds	Revision of allocation	Net proceeds after revision of allocation	Amount utilized prior to revision	Unused new proceeds immediately before revision of allocation	Amount utilized after revision of allocation	Unused net proceeds as at 31 December 2020	Expected timeline for utilizing the unused net proceeds
1. Upgrade the smart heat supply network	81.8 (41.0%)	-50.0 (-25.1%)	31.8 (15.9%)	-	31.8 (15.9%)	-28.0 (14.0%)	3.8 (1.9%)	no later than the end of 2021
2. Replace pipelines and facilities	81.8 (41.0%)	-50.0 (-25.1%)	31.8 (15.9%)	-	31.8 (15.9%)	-16.9 (8.5%)	14.9 (7.5%)	no later than the end of 2021
3. Expand service area	25.9 (13.0%)	-	25.9 (13.0%)	21.6 (10.8%)	4.3 (2.2%)	-4.3 (2.2%)	-	-
4. Acquisitions	10.0 (5.0%)	+100.0 (+50.2%)	110.0 (55.2%)	10.0 (5.0%)	100.0 (50.2%)	-100.0 (50.2%)	-	-
	199.5 (100.0%)	-	199.5 (100.0%)	31.6 (15.8%)	167.9 (84.2%)	-149.2 (74.8%)	18.7 (9.4%)	

- (1) approximately RMB81.8 million (equivalent to approximately HK\$90.4 million) allocated for originally planned use, representing approximately 41.0% of the net proceeds from the global offering, was revised to RMB31.8 million, representing approximately 15.9% of the net proceeds from the global offering. From the date of receiving the IPO Proceeds to 31 December 2020, RMB28.0 million has been used for further increasing the level of automation in the Group's heat supply business by enhancing the Group's smart heat supply network system to achieve a more stable, efficient and technologically advanced heat supply. Most of the proceeds that are allocated to this category will be used for upgrading the system, purchasing relevant equipment and sensors and installation of the equipment in the heat exchange stations and end-users' properties. The balance of RMB3.8 million is expected to be used no later than the end of 2021 for the purpose of upgrading the smart heat supply network.
- (2) approximately RMB81.8 million (equivalent to approximately HK\$90.4 million) allocated for originally planned use, representing approximately 41.0% of the net proceeds from the global offering, was revised to RMB31.8 million, representing approximately 15.9% of the net proceeds from the global offering. From the date of receiving the IPO Proceeds to 31 December 2020, RMB16.9 million has been used for upgrading and replacement of existing primary distribution pipelines and heat supply facilities to enhance operational efficiency of the Group's heat distribution network. The balance of RMB14.9 million is expected to be used no later than the end of 2021 for the purpose of replacing primary pipelines and heat supply facilities.
- (3) approximately RMB25.9 million (equivalent to approximately HK\$28.7 million) allocated for originally planned use, representing approximately 13.0% of the net proceeds from the global offering, was not revised. From the date of receiving the IPO Proceeds to 31 December 2020, the entire amount has been used in the Group's heat service area expansion to facilitate the growth of its heat supply business, including necessary construction of primary distribution pipelines and heat supply facilities required thereunder.
- (4) approximately RMB10.0 million (equivalent to approximately HK\$11.0 million) allocated for originally planned use, representing approximately 5.0% of the net proceeds from the global offering, was revised to RMB110.0 million, representing approximately 55.2% of the net proceeds from the global offering. From the date of receiving the IPO Proceeds to 31 December 2020, the entire amount has been used, which includes RMB100.0 million for payment of partial consideration in relation to the acquisition of 100% equity interest in Yatai Heating in 2020.

The unutilized IPO Proceeds have been deposited into short-term demand deposits in a bank account maintained by the Group.

## V. Risk Factors and Risk Management

### (1) *Industry Risk*

The pricing of heat sources in the heat supply industry is usually subject to regulation and control by government departments, and the heat supply enterprises cannot have the right to regulate the purchase price of heat sources directly. In addition, the prices of services provided by the Group's engineering construction, maintenance and design business are also subject to control and regulation under government policies. Therefore, the Group's operations may be affected by adjustments to relevant laws and regulations as well as local policies in the PRC that are relevant to the industry, nevertheless, government departments will conduct in-depth studies on the industry before making any adjustments and take into full consideration the actual operating conditions of the companies within the industry.

The Group will continue to exercise effective cost control, strengthen internal supervision and control as well as enhance its ability to respond timely to market changes so as to achieve a people-oriented and demand-driven heat supply system. The Group will also strive to enhance its intelligent management capability to ensure the quality of heat supply services in order to cope with various industry risks.

### (2) *Policy Risk*

Changes in national and local government policies have a profound impact on the industry. In terms of national policies, the development of environmentally friendly, energy-saving and sustainable green cities will become the trend of urban heat supply in the future. In recent years, the PRC government has attached great importance to the monitoring of environmental protection issues through laws and regulations, and has issued a series of environmental protection policies and imposed further restrictions and requirements in relation to pollution issues in relevant industries. Meanwhile, the National Development and Reform Commission and other bureaus have issued guidance documents to regulate the related fees charged by heat supply companies, with an aim to guide local heat supply companies to gradually eliminate unreasonable fees, which is beneficial to creating a more standardized and fair market environment.

In formulating its future development goals and directions, the Group will adhere to the principles and requirements set out in various national and local government economic policies, industrial policies, as well as laws and regulations.

**(3) Climate Risk**

The cost of heating for the heat supply segment is significantly affected by the weather conditions during the heating period. The Company needs to purchase more heat to maintain the desired in-room temperature for its customers when the outdoor temperature is low during the heating period, which will increase the overall cost of the heating business and vice versa.

The Group will fully leverage the smart heating network system to regulate its heat supply capacity and adopt an intelligent control system for rational distribution of heat supply in order to cope with the risk of climate change on the Company's cost structure.

**(4) Exchange Risk**

The Group's business activities are mainly conducted in the PRC and its borrowings are also settled in RMB. Changes in exchange rates do not have a material effect on the Group.

**VI. OTHER SIGNIFICANT EVENTS**

**(1) Significant Investments**

The Group did not have any significant investments for the year ended 31 December 2020.

**(2) Material Acquisitions and Disposals**

On 8 June 2020, the Group entered into an equity transfer agreement with Changchun FAWSN Group Co., Ltd. (長春一汽富晟集團有限公司) (“**Changchun FAWSN**”) for the acquisition of 50% equity interest in Xixing Energy held by Changchun FAWSN. The equity transfer price paid by the Group amounted to RMB52.0 million. For details, please refer to the announcements of the Company dated 8 June 2020 and 11 June 2020. Upon completion of the transaction, the Group holds 100% equity interest in Xixing Energy and Xixing Energy has become a wholly-owned subsidiary of the Group.

On 29 October 2020, the Group entered into an equity acquisition agreement with Changchun Heating Group for the acquisition of 100% equity interest in Yatai Heating. The equity transfer price paid by the Group amounted to RMB318,376,300. The equity transaction was completed on 31 December. For details, please refer to the announcements of the Company dated 29 October 2020 and 31 December 2020 and the circular of the Company dated 24 November 2020. Upon completion of the transaction, Yatai Heating has become a wholly-owned subsidiary of the Group.

**(3) *Capital Commitment and Contingent Liabilities***

The Group did not have any material capital commitment or contingent liabilities for the year ended 31 December 2020.

**(4) *Charge on Assets***

There was no material charge on the Group's assets for the year ended 31 December 2020.

**(5) *Change of Accounting Standard***

In view of the proposed A-share listing of the Company, on 22 December 2020 and 15 January 2021, the Company published an announcement and circular to propose the financial statements of the Company for the year ending 31 December 2020 and the financial periods thereafter will be prepared in accordance with the ASBEs, which was approved by the Shareholders at the extraordinary general meeting on 24 February 2021. The annual results for the year ended 31 December 2019 stated in this announcement may differ from the results included in the annual results announcement for the year ended 31 December 2019 published by the Company on 30 March 2020 which was prepared in accordance with the International Financial Reporting Standards.

**(6) *Employees and Remuneration Policies***

*1. Employee Distribution*

For the year ended 31 December 2020, the Group had a total of 1,686 employees, which can be classified by the company employed: 952 employees were employed at the Company, 55 at Runfeng Installation Co., Ltd, 27 at Apparatus Co., Ltd, 67 at Pipelines Co., Ltd, 44 at Maintenance Service Co., Ltd, 33 at Heating Engineering Design Co., Ltd, 2 at Biomass Power Co., Ltd., 82 at Xixing Energy and 424 at Yatai Heating.

*2. Remuneration Policy*

In 2020, the Group maintained its existing employees' remuneration package which comprises basic salary, position salary and monthly and yearly performance incentives in accordance with the Measures for Employees' Wage Management (《勞動工資管理辦法》). The determination of remuneration based on both position value and performance appraisals helps motivate employees' contribution and dedication to the Group.

### 3. *Employee Training*

In 2020, the Group conducted knowledge-based trainings on the salary reform of state-owned enterprises and on job descriptions, which were taught by human resources management experts over a total of 275 participants in managerial positions. In order to improve the development of talent pipeline and discover the full potential of employees, professional ability enhancement trainings were organized and 242 outstanding employees of various kinds had participated in these trainings. In order to improve the employee's etiquette, special training courses on etiquette were conducted and participated by a total of 610 participants.

In order to further strengthen the practical operation skills of the employees and fully improve their overall quality and professionalism, skill trainings for all frontline technical staff were conducted during the year. A total of 670 employees in frontline positions such as maintenance, welders and electricians had completed such trainings to enhance their skills.

### 4. *Employee Relationship and Social Insurance Management*

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

## **VII. Prospects and Outlook**

In 2020, China achieved outstanding results in the fight against the COVID-19 pandemic. With the rapid development of the Chinese economy, China's urbanisation rate is rising rapidly and the demand for urban heating is also growing.

Currently, the middle and lower stream of the Yangtze River basin in the PRC are experiencing wet and cold winters and there is a strong demand for heat supply. The indoor temperature in the southern regions, such as Shanghai, Chongqing, Hubei, Hunan and Jiangxi, during winter is much lower than that in the northern cities, which is powered by central heating. As people's aspirations for a better quality of life continues, demand for heat supply in the south also increases, providing the central heat service industry huge room for development. Therefore, the construction and development of centralised urban heating will become an effective mean for our nation in its pursuit of economic development, reducing environmental pollution and achieve sustainable development.

At the 75th session of the United Nations General Assembly, General Secretary Xi Jinping stated out that China will adopt stronger policies and measures to peak its carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060. This signifies that the Chinese government is taking practical action to enforce the Paris Agreement and is determined to implement green, low-carbon, energy-saving and emission-reducing production methods. With the introduction of the “14th Five-Year Plan”, China’s clean heating policy will continue to flourish, and heat supply methods that are environmentally friendly, energy efficient, appropriate and conducive to sustainable urban development will become the future of the heat supply industry. In addition, the central heat service area in the northeast region has been on the rise in recent years, and the growing market demand for heat supply facilities is the underlying force of the construction, maintenance and design services market.

As a state-controlled enterprise, the Group will actively respond to national policies, seize the opportunities arising from the new round of technological and industrial revolution, vigorously develop its central heat services business, continuously increase investment in technological innovation and technology research and development, actively explore green, low-carbon and environmentally friendly clean energy heating methods, strive to create a new heat supply model – the “smart technology + clean energy (智慧科技 + 清潔能源)” model – that is centered on energy conservation and environmental protection, and consolidate and enhance the Group’s leading position in the field of smart heating in China.

In addition, the Group will continue to expand the scale of development of the heat supply industry chain around the heat supply business, optimize its strategic layout, revolutionize its business model, strive to improve its construction, maintenance and design business, expand its business scope to regions outside Jilin Province and further increase its market share.

### **VIII. Events after the Reporting Period**

On 5 February 2021, the China Securities Regulatory Commission’s Jilin branch has given its consent to the filing and registration of the pre-listing tutoring for the proposed A-share listing of the Group. For details, please refer to the announcement of the Group dated 8 February 2021.

### **Compliance with Corporate Governance Code**

As a company listed on the Hong Kong Stock Exchange, the Company is committed to maintaining high standards of corporate governance. The Company has complied with the code provisions in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules at all times during the Reporting Period.

### **Compliance with the Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct and rules governing the dealings by all of our Directors and supervisors (“**Supervisors**”) in the securities of the Company. Having made specific enquiry with the Directors and Supervisors of the Company, all Directors and Supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the year ended 31 December 2020. The Company has also set up guidelines in respect of the dealings in the Company’s securities by its relevant employees (as defined in the Listing Rules), which terms are no less exacting than those of the Model Code.

### **Directors’ Responsibilities in relation to the Financial Statements**

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

### **Purchase, Sale or Redemption of Listed Securities or Redeemable Securities of the Company**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities or redeemable securities for the year ended 31 December 2020.

### **Convertible Securities, Options, Warrants or Similar Rights**

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or other similar rights or exercised any conversion or subscription rights under any convertible securities, options, warrants or other similar rights issued or granted by the Company or any of its subsidiaries at any time.

### **Issue of Bonds**

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries had issued any bonds.

### **Review of Annual Results**

The Company has established the audit committee of the Company (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Mr. Poon Pok Man, Mr. Liu Changchun and Mr. Wang Yuguo. Mr. Poon Pok Man is the chairman of the Audit Committee. The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2020.

## **Scope of Work of Da Hua Certified Public Accountants**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, Da Hua Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year, Da Hua Certified Public Accountants did not express any assurance opinions on the preliminary results announcement.

## **Final Dividend**

The Board resolved to propose to the Shareholders of the Company at the AGM to be held on 28 May 2021, for their consideration and approval of the payment of a final dividend of RMB0.103 per share (tax inclusive) for the year ended 31 December 2020 (the "2020 Final Dividend") payable to the Shareholders of the Company, whose names appear on the register of members of the Company on 9 June 2021, in an aggregate amount of approximately RMB48.07 million. The 2020 Final Dividend will be denominated and declared in RMB. Dividends on Domestic Shares will be paid in RMB and dividends on H Shares will be paid in Hong Kong dollars. Subject to the passing of the relevant resolution at the AGM, the 2020 Final Dividend are expected to be paid on or around 9 July 2021.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Implementation Rules of the Enterprise Income Tax Law of People's Republic of China (《中華人民共和國企業所得稅法實施條例》) implemented in 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% when distributing the 2020 Final Dividend to its non-resident enterprise Shareholders of overseas H Shares (including HKSCC Nominees Limited, other corporate nominees or trustees, or other entities and organizations) whose names appear on the H Shares register of members of the Company on 9 June 2021.

According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No.348) (國家稅務總局國稅函[2011]348號) and relevant laws and regulations, if the individual H Share Shareholders are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Shareholders. If the individual H Share Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the individual H Share Shareholders shall make self-assessment regarding whether they meet the conditions for enjoying the tax treaty benefits pursuant to the Announcement of the State Administration of Taxation ([2019] No.35) (國家稅務總局公告(2019年第35號)). If the Shareholders are entitled to such treaty benefits, they shall duly fill in the Information Reporting Form for Non-resident Taxpayers Claiming

Treaty Benefits (《非居民納稅人享受協定待遇信息報告表》) and submit to the Company. After receiving and ensuring the completeness of information of the form, the Company will duly submit the form as a schedule for withholding declaration to the competent tax authority pursuant to the provisions of domestic tax laws and tax treaty. The Company will withhold the tax pursuant to the provisions of domestic tax laws for Shareholders whose Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits has not been submitted or has missing information. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or those countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Shareholders.

The Company will determine the country of domicile of the individual H Share Shareholders based on the registered address as recorded in the register of members of the Company on 9 June 2021 (the “**Registered Address**”). If the country of domicile of an individual H Share Shareholder is not the same as the Registered Address or if the individual H Share Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H Share Shareholder shall notify and provide relevant supporting documents to the Company on or before Wednesday, 2 June 2021. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Share Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaty notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

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

Shareholders are recommended to consult their taxation advisors for advice on the PRC, Hong Kong and other tax effects with respect to the holding and disposing of H Shares.

According to the Articles of Association, the Hong Kong dollars required for the payment of cash dividends and other amount by the Company to the individual H Share Shareholders shall be arranged in accordance with the provisions of the PRC in relation to foreign exchange administration.

The Company was not aware of any Shareholders who had waived or agreed to waive any dividend arrangement for the year ended 31 December 2020.

## **Closure of Register of Members**

For the purpose of determining the Shareholders' rights to attend and vote at the AGM and the entitlement to the proposed 2020 Final Dividend, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive) and from Thursday, 3 June 2021 to Wednesday, 9 June 2021 (both days inclusive) respectively, during which period no transfer of H Shares will be registered.

In order to be eligible to attend and vote at the forthcoming AGM, holders of H Shares shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 May 2021.

In order to be entitled to the proposed 2020 Final Dividend (subject to the approval by the Shareholders at the forthcoming AGM), holders of H Shares shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 June 2021.

## **Publication of Results on the Websites of the Stock Exchange and the Company**

This announcement is published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cc-tp.com.cn>). The 2020 annual report of the Company containing all the information required by the applicable Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

## **DEFINITIONS**

“ASBEs”	the Accounting Standards for Business Enterprises – Basic Standards (《企業會計準則－基本準則》) issued by the Ministry of Finance and the specific accounting standards for business enterprises, the application guidance for the Accounting Standards for Business Enterprises, the interpretation of Accounting Standards for Business Enterprises and other relevant requirements
“AGM”	the annual general meeting of the Company for the year 2020 to be held on Friday, 28 May 2021 or any adjournment thereof
“Articles” or “Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Board”	the board of Directors of the Company

“Changchun Heating Group”	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the controlling Shareholder of the Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company” or “We”	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司) (stock code: 1853), a company incorporated in the PRC on 23 October 2017 and is a joint stock limited liability company
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and held by PRC nationals or PRC incorporated entities, and are not listed or traded on any stock exchange
“Group”	the Company and its subsidiaries
“H Share(s)”	the ordinary share(s) in issue in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“heat service area”	gross floor areas covered by heat supply, including both the heat service area which we fully and partially charge for our heat fees
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing”	the listing of the H Shares of the Company on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“No. 2 Cogeneration Plant”	Datang Changchun No. 2 Thermolectricity Limited* (大唐長春第二熱電有限責任公司), Changchun Thermolectricity Development Company* (長春熱電發展有限公司) (deregistered), Datang Jilin Power Generation Co., Ltd. Heating Branch* (大唐吉林發電有限公司熱力分公司), subsidiaries and branch of their holding company Datang Jilin Power Generation Co., Ltd.* (大唐吉林發電有限公司), which are independent third parties and primarily engaged in power generation/heating generation businesses, and where the context requires, the cogeneration plant operated, individually or collectively by the above
“No.4 Cogeneration Plant”	the wholly-owned subsidiary and branch of Huaneng Jilin Power Generation Co., Ltd.* (華能吉林發電有限公司), namely Huaneng Jilin Energy Sales Co., Ltd.* (華能吉林能源銷售有限公司) and Changchun thermal power plant of Huaneng Jilin Power Generation Co., Ltd.* (華能吉林發電有限公司長春熱電廠), which are independent third parties and primarily engaged in power generation and heat generation businesses, and where the context requires, the cogeneration plants operated, individually or collectively, by the above companies
“No. 5 Cogeneration Plant”	Jilin Electric Power Co., Ltd. Changchun Thermolectricity Branch* (吉林電力股份有限公司長春熱電分公司), a company principally engaged in electricity supply and heat production and an independent third party
“Reporting Period”	the period from 1 January 2020 to 31 December 2020
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 per share
“Shareholder(s)”	the shareholder(s) of the Company

“Three Supplies and Property Management”	heat supply, water supply, electricity supply and property management services
“Xixing Energy”	Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司), previously known as Changchun FAW Sihuan Kinetic Company Limited* (長春一汽四環動能有限公司)
“Yatai Heating”	Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)
“%”	percent

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

Jilin, the PRC, 26 March 2021

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

\* For identification purpose only