

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2022 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- The revenue for the six months ended 30 June 2022 was RMB887,542.1 thousand, representing an increase of 1% as compared to the corresponding period of 2021
- The profit before tax for the six months ended 30 June 2022 was RMB89,714.1 thousand, representing a decrease of 47.30% as compared to the corresponding period of 2021
- The net profit attributable to equity holders of the Company for the six months ended 30 June 2022 was RMB63,762.3 thousand, representing a decrease of 49.21% as compared to the corresponding period of 2021
- Earnings per share for the six months ended 30 June 2022 was RMB0.14, representing a decrease of RMB0.13 as compared to the corresponding period of 2021

The Board is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2022, which were prepared in accordance with the ASBEs. These unaudited interim results had been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL INFORMATION

(presented in RMB unless otherwise stated)

COMBINED STATEMENT OF FINANCIAL POSITION

Item	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
CURRENT ASSETS:			
Monetary fund		392,059,112.22	664,306,698.15
Financial assets measured at fair value through profit or loss		–	–
Held-for-trading financial assets		–	–
Derivative financial assets		–	–
Bills receivable		–	–
Trade receivables	9	222,579,449.87	223,060,999.01
Trade receivables financing		–	–
Prepayments		306,876,676.22	508,937,790.32
Other receivables		6,692,787.85	6,941,347.08
Inventories		16,179,190.72	30,384,096.14
Contract assets		111,934,410.53	133,161,280.32
Assets held for sale		–	–
Non-current assets due within one year		–	–
Other current assets		15,475,910.36	17,232,911.07
TOTAL CURRENT ASSETS		1,071,797,537.77	1,584,025,122.09

Item	30 June 2022 (Unaudited)	31 December 2021 (Audited)
NON-CURRENT ASSETS:		
Available-for-sale financial assets	–	–
Investments held-to-maturity	–	–
Debt investments	–	–
Other debt investments	–	–
Long-term receivables	–	–
Long-term equity investments	–	–
Other equity instrument investments	–	–
Other non-current financial assets	–	–
Investment properties	7,428,878.30	7,513,710.41
Fixed assets	976,452,373.59	1,045,874,487.44
Construction-in-progress	15,404,291.98	14,321,966.26
Biological assets	–	–
Fuel and gas assets	–	–
Right-of-use assets	1,179,597.27	1,650,591.05
Intangible assets	14,948,401.27	14,962,280.55
Development costs	–	–
Goodwill	167,112,355.37	167,112,355.37
Long-term deferred expenditures	918,149.80	1,356,755.20
Deferred income tax assets	64,175,816.94	57,623,801.03
Other non-current assets	–	–
TOTAL NON-CURRENT ASSETS	1,247,619,864.52	1,310,415,947.31
TOTAL ASSETS	2,319,417,402.29	2,894,441,069.40

Item	<i>Note</i>	30 June 2022 (Unaudited)	31 December 2021 (Audited)
CURRENT LIABILITIES:			
Short-term borrowings		378,990,355.06	–
Financial liabilities measured at fair value through profit or loss		–	–
Held-for-trading financial liabilities		–	–
Derivative financial liabilities		–	–
Bills payable		–	–
Trade payables	<i>10</i>	171,119,802.49	232,178,489.39
Advances		–	100,000.00
Contract liabilities		548,301,298.04	1,411,336,830.54
Salaries payable		46,205,934.53	116,033,845.98
Tax payable		45,148,565.26	43,412,130.75
Other payables		52,160,641.13	17,429,924.15
Liabilities held for sale		–	–
Non-current liabilities due within one year		981,380.47	975,251.76
Other current liabilities		2,789,769.78	1,760.92
TOTAL CURRENT LIABILITIES		1,245,697,746.76	1,821,468,233.49

Item	30 June 2022 (Unaudited)	31 December 2021 (Audited)
NON-CURRENT LIABILITIES:		
Long-term borrowings	–	–
Bonds payable	–	–
Of which: Preference shares	–	–
Perpetual bonds	–	–
Lease liabilities	486,987.15	476,190.47
Long-term payables	2,775,074.00	2,775,074.00
Long-term salaries payable	28,065,552.60	28,834,324.48
Estimated liabilities	–	350,000.00
Deferred income	46,396,415.22	48,604,047.04
Deferred income tax liabilities	45,042,593.63	49,166,204.34
Other non-current liabilities	–	2,484,653.05
TOTAL NON-CURRENT LIABILITIES	122,766,622.60	132,690,493.38
TOTAL LIABILITIES	1,368,464,369.36	1,954,158,726.87
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):		
Paid-in capital (or share capital)	466,700,000.00	466,700,000.00
Other equity instruments	–	–
Of which: Preference shares	–	–
Perpetual bonds	–	–
Capital reserve	68,370,342.51	68,370,342.51
Less: Treasury stock	–	–
Other comprehensive income	–1,629,142.82	–1,629,142.82
Special reserve	23,178,972.26	22,600,130.11
Surplus reserve	43,789,845.52	43,789,845.52
Undistributed profits	350,543,015.46	340,451,167.21
Owners' equity attributable to the parent company	950,953,032.93	940,282,342.53
Minority interests	–	–
TOTAL OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)	950,953,032.93	940,282,342.53
LIABILITIES AND OWNERS' EQUITY	2,319,417,402.29	2,894,441,069.40

COMBINED INCOME STATEMENT

Item	<i>Note</i>	30 June 2022 (Unaudited)	30 June 2021 (Audited)
I. TOTAL OPERATING INCOME	3	887,542,062.06	878,920,613.77
Less: Operating costs	3	760,186,646.73	673,614,605.45
Taxes and surcharges		684,573.42	1,875,561.52
Selling expenses		649,498.13	924,395.68
Administrative expenses	4	40,929,674.76	47,832,578.73
Research and development expenses		671,066.11	898,082.67
Financial costs		-10,653,424.94	-667,074.48
Of which: Interest charges		16,925.39	6,462,803.20
Interest income		-8,656,139.24	-7,489,977.44
Add: Other income		5,365,748.92	3,194,263.95
Investment income		-	296,104.45
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		-	227,083.33
Credit impairment loss		7,034,652.43	1,897,855.41
Impairment loss on assets		-17,876,365.63	6,288,547.11
Gain on disposal of assets		13,021.19	-
II. OPERATING PROFIT		89,611,084.76	166,346,318.45
Add: Non-operating income		120,589.37	4,107,352.58
Less: Non-operating expenses		17,593.41	212,973.42
III. TOTAL PROFIT		89,714,080.72	170,240,697.61
Less: Income tax expense	8	25,951,732.47	44,710,697.99

Item	30 June 2022 (Unaudited)	30 June 2021 (Audited)
IV. NET PROFIT	63,762,348.25	125,529,999.62
Of which: Net profit realized by the acquiree of the business combination under common control before the combination		
(I) Classified by continuity of operation		
Net profit from continuing operation	63,762,348.25	125,529,999.62
Net profit from discontinued operation	—	—
(II) Classified by ownership		
Net profit attributable to owners of the parent company	63,762,348.25	125,529,999.62
Minority interests	—	—
V. OTHER COMPREHENSIVE INCOME, NET OF TAX	—	—
Other comprehensive income attributable to owners of the parent company, net of tax	—	—
(I) Other comprehensive income that may not be reclassified to profit or loss	—	—
1. Changes from re-measurement of defined benefit plans, net	—	—
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 enterprise's own credit risk	—	—
5. Others	—	—
(II) Other comprehensive income that may be reclassified to profit or loss	—	—
1. Other comprehensive income that may be transferred to profit or loss under the equity method	—	—
2. Changes in fair value of available-for-sale financial assets	—	—
3. Profit or loss from held-to-maturity investments reclassified to available-for- sale financial assets	—	—

Item	<i>Note</i>	30 June 2022 (Unaudited)	30 June 2021 (Audited)
4. Changes in fair value of other debt investments		–	–
5. Amounts of financial assets reclassified to other comprehensive income		–	–
6. Credit impairment provision for other debt investments		–	–
7. Reserves for cash flow hedges		–	–
8. Differences on foreign currency translation		–	–
9. Investment income from a package disposal of subsidiaries before loss of control			
10. Conversion of other assets to investment property measured by fair value model			
11. Others		–	–
Other comprehensive income attributable to minority Shareholders, net of tax		–	–
VI. TOTAL COMPREHENSIVE INCOME		63,762,348.25	125,529,999.62
1. Total comprehensive income attributable to owners of the parent company		63,762,348.25	125,529,999.62
2. Total comprehensive income attributable to minority Shareholders		–	–
VII. EARNINGS PER SHARE:			
(I) Basic earnings per Share	7	0.14	0.27
(II) Diluted earnings per Share		0.14	0.27

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE COMPANY

Jilin Province Chuncheng Heating Company Limited (the “Company”), formerly known as “Jilin Province Changre New Energy Co., Ltd.* (吉林省長熱新能源有限公司)” or “Jilin Province Chuncheng Heating Limited Liability Company* (吉林省春城熱力有限責任公司)”, is a joint stock company with limited liability incorporated in the People’s Republic of China (the “PRC”) on 23 October 2017. The registered office of the Company is located at Block 28 (Hong Cheng Xiyu), Area B, Nanhu Road Community, 998 Nanhu Road, Nanguan District, Changchun, Jilin Province, the PRC.

The Company and its subsidiaries (collectively, the “Group”) engage in the following principal activities:

Heat supply, including the provision and distribution of heat, pipeline connection fee and heat transmission; and construction, maintenance and design services and others.

The controlling Shareholder of the Company is Chuncheng Investment, a company established in the PRC and wholly-owned by the State-owned Assets Supervision and Administration Commission of Changchun Municipal People’s Government (長春市人民政府國有資產監督管理委員會) (“SASAC Changchun”). The interim condensed consolidated financial information is presented in RMB, unless otherwise stated.

2. PRINCIPAL ACCOUNTING POLICIES

The combined financial statements are measured under the historical cost method, except for certain financial instruments which are measured at fair value.

The accounting policies and methods of computation used in preparation of the combined financial statements for the six months ended 30 June 2022 are consistent with those of the Company’s annual financial statements for the year ended 31 December 2021.

3. REVENUE AND SEGMENT INFORMATION

(1) Basis of identifying reportable segments and the accounting policies

The Company identified two operating segments, namely the heat supply segment and the construction, maintenance and design services segment, based on the internal organizational structure, management requirements and internal reporting system.

Each reportable segment offers different products or services. As each segment requires different technologies or market strategies, the Company's management manages the operating activities of each reportable segment separately, and regularly evaluates the operating results of these reportable segments to determine the allocation of resources and to evaluate their performance.

Inter-segment transfer prices are determined on the basis of actual transaction prices, and expenses indirectly attributable to each segment are allocated between segments in proportion to its revenue. Assets are allocated based on the operations of the segment and the location of the assets. Segment liabilities include liabilities arising from the operating activities of a segment that are attributable to that segment. If expenses that are related to liabilities jointly assumed by multiple operating segments were allocated to those operating segments, the jointly assumed liabilities are also allocated to those operating segments.

(2) Financial information of the reportable segments

(1) Segment assets, liabilities and revenue

Item	Heat supply	Construction, maintenance and design services	Total
30 June 2022 (Unaudited)			
Reportable segment assets	2,028,106,366.29	291,311,036.00	2,319,417,402.29
Reportable segment liabilities	1,213,350,785.78	155,113,583.58	1,368,464,369.36
January to June 2022 (Unaudited)			
Segment revenue			
Revenue from external customers	865,055,410.10	24,523,866.41	889,579,276.51
Intersegment revenue	50,000.00	1,987,214.45	2,037,214.45
Reportable segment revenue	865,005,410.10	22,536,651.96	887,542,062.06
Reportable segment gross profit	118,261,217.85	9,094,197.48	127,355,415.33
30 June 2021 (Audited)			
Reportable segment assets	2,497,549,051.91	396,892,017.49	2,894,441,069.40
Reportable segment liabilities	1,776,736,044.42	177,422,682.45	1,954,158,726.87
January to June 2021 (Audited)			
Segment revenue			
Revenue from external customers	854,257,572.42	36,839,504.90	891,097,077.32
Intersegment revenue	10,863,383.89	1,313,079.66	12,176,463.55
Reportable segment revenue	843,394,188.53	35,526,425.24	878,920,613.77
Reportable segment gross profit	198,443,599.56	6,862,408.76	205,306,008.32

(2) *Revenue and other business income*

Item	January to June 2022 (Unaudited)	January to June 2021 (Audited)
Revenue from contracts with customers		
Provision and distribution of heat	818,226,199.85	791,967,643.89
Pipeline connection fee	34,487,464.07	42,224,352.57
Heat transmission	12,291,746.18	9,202,192.07
Engineering construction	10,709,288.60	11,263,319.21
Engineering maintenance	3,606,937.08	13,424,411.43
Design services	4,038,250.71	5,127,631.22
Others	4,182,175.57	5,711,063.38
Total	887,542,062.06	878,920,613.77

(3) *Costs and other business costs*

Item	January to June 2022 (Unaudited)	January to June 2021 (Audited)
Heat supply	746,744,192.25	644,950,588.97
Of which:		
Heat procurement cost	466,582,353.75	395,293,478.49
Coal	33,281,888.29	13,426,244.82
Maintenance and repair	14,078,031.06	21,753,078.15
Labor	68,867,606.11	65,296,144.33
Depreciation and amortization	67,554,772.84	66,118,976.29
Utility	50,630,354.92	45,900,924.53
Input VAT transferred out	29,100,676.57	27,222,108.34
Others	16,648,508.71	9,939,634.02
Construction, maintenance and design services	13,442,454.48	28,664,016.48
Total	760,186,646.73	673,614,605.45

4. ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2022, the administrative expenses incurred amounted to RMB40,929,674.76 (for the six months ended 30 June 2021, administrative expenses incurred amounted to RMB47,832,578.73), which mainly represent labor costs, depreciation and amortization expenses, etc.

5. PROFIT BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION

Item	January to June 2022 (Unaudited)
Net profit	63,762,348.25
Income tax expense	25,951,732.47
Depreciation of fixed assets provided for	68,953,041.74
Amortization of intangible assets provided for	570,609.16
Amortization of long-term deferred expenditures provided for	438,605.40
Interest and investment income	8,656,139.24
Interest income from financial institution	–
Interest charges	16,925.39
Interest expenses to financial institution	–
Profit before interest, tax, depreciation and amortization	151,037,123.17

6. DIVIDEND

(1) Interim dividend

The Board does not recommend the payment of any interim dividend to the Shareholders for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

(2) Dividends payable to Shareholders for the previous financial year, approved during the interim period

A final dividend of RMB0.115 per Share (tax inclusive) for the financial year ended 31 December 2021 (totaling RMB53,670,500.00) was approved at the 2021 annual general meeting. As at 30 June 2022, the aforesaid final dividend has not yet been distributed to the Shareholders.

7. EARNINGS PER SHARE

	January to June 2022 (Unaudited)	January to June 2021 (Audited)
Net profit attributable to the parent company	63,762,348.25	125,529,999.62
Weighted average number of ordinary Shares in issue during the period	466,700,000.00	466,700,000.00
Earnings per Share	0.14	0.27

Note: Diluted earnings per Share were the same as basic earnings per Share as there were no dilutive potential ordinary Shares in issue for the six months ended 30 June 2022 and 2021.

8. INCOME TAX EXPENSE

(1) List of income tax expense

Item	January to June 2022 (Unaudited)	January to June 2021 (Audited)
Income tax expense for the current period	36,842,289.38	48,800,098.49
Deferred income tax expense	-10,890,556.91	-4,089,400.50
Total	25,951,732.47	44,710,697.99

(2) Reconciliation between accounting profit and income tax expense

Item	January to June 2022 (Unaudited)
Total profit	89,714,080.72
Income tax expense calculated at statutory/applicable tax rates	22,428,520.18
Effect of different tax rates applicable to subsidiaries	124,591.59
Effect of adjustments to income tax on prior periods	17,620.52
Effect of non-taxable income	-
Effect of non-deductible costs, expenses and losses	-410,756.20
Effect of deductible loss on utilisation of deferred income tax assets that were not recognised in the previous period	-
Effect of deductible temporary difference or deductible loss on deferred income tax assets that were not recognised in the current period	3,791,756.38
Others	-
Income tax expense	25,951,732.47

9. TRADE RECEIVABLES

Credit terms granted to customers vary and generally depend on the financial strength of individual customer. In order to effectively manage the credit risk associated with trade receivables, the Group assesses customers' credit on a regular basis.

(1) Disclosure of trade receivables based on ageing

Ageing	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Within 1 year	124,198,477.17	132,043,172.92
1 to 2 years	149,971,026.48	122,066,008.36
2 to 3 years	13,342,612.96	41,783,027.54
3 to 4 years	4,747,639.49	4,079,250.65
4 to 5 years	4,396,008.78	4,009,427.60
Over 5 years	11,688,273.54	12,384,620.68
Sub-total	308,344,038.42	316,365,507.75
Less: Provision for bad debts	85,764,588.55	93,304,508.74
Total	222,579,449.87	223,060,999.01

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

Category	30 June 2022 (Unaudited)				
	Carrying balance		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Trade receivables subject to provision for ECL on individual basis					
Trade receivables subject to provision for ECL on portfolio basis	308,344,038.42	100.00	85,764,588.55	27.81	222,579,449.87
Of which: Ageing analysis portfolio					
– Heat supply business	99,755,617.65	32.35	11,843,479.39	11.87	87,778,926.37
Ageing analysis portfolio – Basic heating fee	25,785,704.31	8.36	7,757,062.34	30.08	18,028,641.97
Ageing analysis portfolio – Engineering business	167,577,342.56	54.35	63,825,376.79	38.09	103,885,177.66
Related party portfolio	15,225,373.90	4.94	2,338,670.03	15.36	12,886,703.87
Total	308,344,038.42	100.00	85,764,588.55	27.81	222,579,449.87

Category	31 December 2021 (Audited)				
	Carrying balance		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Trade receivables subject to provision for ECL on individual basis					
Trade receivables subject to provision for ECL on portfolio basis	316,365,507.75	100.00	93,304,508.74	29.49	223,060,999.01
Of which: Ageing analysis portfolio					
– Heat supply business	44,695,969.65	14.13	6,683,819.36	14.95	38,012,150.29
Ageing analysis portfolio – Basic heating fee	18,470,511.45	5.84	7,180,582.24	38.88	11,289,929.21
Ageing analysis portfolio – Engineering business	218,596,427.45	69.09	76,170,965.48	34.85	142,425,461.97
Related party portfolio	34,602,599.20	10.94	3,269,141.66	9.45	31,333,457.54
Total	316,365,507.75	100.00	93,304,508.74	29.49	223,060,999.01

(3) Trade receivables subjected to provision for bad debts on portfolio basis

(1) *Ageing analysis portfolio – Heat supply business*

Ageing	30 June 2022 (Unaudited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	63,106,766.82	3,071,416.06	4.87
1 to 2 years	31,142,601.61	5,252,197.41	16.86
2 to 3 years	334,419.67	102,967.82	30.79
3 to 4 years	2,602,851.81	1,094,211.18	42.04
4 to 5 years	581,850.30	335,559.48	57.67
Over 5 years	1,987,127.44	1,987,127.44	100.00
Total	99,755,617.65	11,843,479.39	11.87

Ageing	31 December 2021 (Audited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	33,061,328.66	648,856.73	1.96
1 to 2 years	5,410,637.33	567,381.46	10.49
2 to 3 years	397,703.93	95,125.77	23.92
3 to 4 years	699,333.22	251,186.49	35.92
4 to 5 years	12,473.65	6,776.05	54.32
Over 5 years	5,114,492.86	5,114,492.86	100.00
Total	44,695,969.65	6,683,819.36	14.95

(2) *Ageing analysis portfolio – Basic heating fee*

Ageing	30 June 2022 (Unaudited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	19,123,859.97	2,650,050.81	13.86
1 to 2 years	649,980.95	153,265.29	23.58
2 to 3 years	501,876.31	160,449.86	31.97
3 to 4 years	939,563.86	459,171.67	48.87
4 to 5 years	722,026.96	485,728.44	67.27
Over 5 years	3,848,396.26	3,848,396.27	100.00
Total	25,785,704.31	7,757,062.34	30.08

Ageing	31 December 2021 (Audited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	9,298,226.73	747,803.47	8.04
1 to 2 years	1,398,460.39	228,492.73	16.34
2 to 3 years	1,421,706.50	341,839.74	24.04
3 to 4 years	687,785.91	287,865.20	41.85
4 to 5 years	244,932.55	155,181.73	63.36
Over 5 years	5,419,399.37	5,419,399.37	100.00
Total	18,470,511.45	7,180,582.24	38.88

(3) *Ageing analysis portfolio – Engineering business*

Ageing	30 June 2022 (Unaudited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	27,987,566.47	3,218,609.65	11.50
1 to 2 years	118,178,443.92	42,610,994.45	36.06
2 to 3 years	12,311,316.98	9,008,047.76	73.17
3 to 4 years	605,133.82	550,399.96	90.96
4 to 5 years	2,892,131.52	2,834,575.13	98.01
Over 5 years	5,602,749.85	5,602,749.85	100.00
Total	167,577,342.56	63,825,376.80	38.09

Ageing	31 December 2021 (Audited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	55,079,039.51	4,294,648.02	7.80
1 to 2 years	115,401,397.75	34,378,159.62	29.79
2 to 3 years	40,021,108.82	29,777,293.09	74.40
3 to 4 years	2,492,131.52	2,211,483.34	88.74
4 to 5 years	3,752,021.40	3,658,652.96	97.51
Over 5 years	1,850,728.45	1,850,728.45	100.00
Total	218,596,427.45	76,170,965.48	34.85

10. TRADE PAYABLES

Ageing	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
Within 1 year	93,063,691.38	155,862,344.18
1 to 2 years	18,723,094.71	19,211,467.61
2 to 3 years	23,670,353.14	34,599,241.11
Over 3 years	35,662,663.26	22,505,436.49
Total	171,119,802.49	232,178,489.39

MANAGEMENT DISCUSSION AND ANALYSIS

2022 is a year of momentum for China's second hundred-year goal and a critical year for the "14th Five-Year Plan". Under the leadership of the Party Central Committee with Comrade Xi Jinping as the chief, the domestic economy successfully withstood the adverse effects of the repeated and sporadic outbreaks of the epidemic, and key economic indicators have generally shown signs of stabilisation and recovery.

Focusing on the heating sector, the revolution within the industry brought about by the goal of "carbon peaking and carbon neutrality" has gradually intensified. The Group adheres to the general principle of pursuing progress while ensuring stability. On the one hand, the Group continues to concentrate on various production and operation work, and on the other hand, it closely follows the development trend of the heating industry, facilitates the development of technological research and development projects, and promotes the development and application of intelligent heating. With a firm footing on the present and an eye on the future, as it upholds the mission of leading the industry's development and serving the community with sincerity, the Group strives to meet the expectations of the society on accelerating the promotion of development progress of green and intelligent transformation of the heating industry.

I. BUSINESS REVIEW

In the first half of 2022, Changchun City was hit by the unexpected challenge of serious epidemic outbreak. While strictly implementing the joint prevention and control arrangements, staff members of the Group made concerted efforts to conquer obstacles and difficulties, allowing the Group to achieve synergy in terms of ensuring heat supply to the people's livelihood, supporting anti-epidemic work and promoting corporate development, which successfully completed various tasks in the first half of the year.

(1) *Heat Supply Business*

In the first half of the year, the Group's heat supply business was stable. On the one hand, it made every effort to ensure the fulfillment of heat demand of customers and actively enhanced experience of users of our heat services; on the other hand, it continued to increase its investment in the research and development of heat supply technologies such as intelligent heat supply and clean energy heat supply. As a result, energy efficiency of heat supply has improved.

As at 30 June 2022, the Group had a heat service area of 62.069 million sq.m., representing an increase of 1.869 million sq.m. or 3.10% from 60.20 million sq.m. in the corresponding period of 2021. As for the number of heat supply users, as at 30 June 2022, the Group had 509,528 heat supply users, representing an increase of 3,740 users or 0.74% from 505,788 users in the corresponding period of 2021. For the six months ended 30 June 2022, the Group's revenue from heat supply business was RMB865.01 million, representing an increase of RMB21.61 million or 2.56% from RMB843.39 million in the corresponding period of 2021.

1. Customers

Customers of our heat supply business are generally residential and non-residential users within the Group's heat service area. The table below sets out a breakdown of the number of, and revenue contribution by, residential and non-residential users as at 30 June 2022.

	As at 30 June 2022		As at 30 June 2021	
	Number of customers	% of revenue from provision and distribution of heat	Number of customers	% of revenue from provision and distribution of heat
Residential users ⁽¹⁾	450,502	88.42%	449,032	88.78%
Non-residential users ⁽²⁾	<u>59,026</u>	<u>11.58%</u>	<u>56,756</u>	<u>11.22%</u>
Total	<u>509,528</u>	<u>100%</u>	<u>505,788</u>	<u>100%</u>

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 parks users.

2. Heat procurement

In 2022, committed to the new development philosophy, the Group strived to strengthen the green construction of heat supply, continued with its cogeneration-led operation of heating, and fully met the heating demand of users in its heat service area. During the Reporting Period, in addition to procuring heat from cogeneration mainly generated by local cogeneration plants, the Group also purchased peak-shaving boilers from its Controlling Shareholder, Chuncheng Investment, for heating, so as to satisfy its increased demand for heat resulting from the expansion of heat service area.

For the six months ended 30 June 2022, the total heat procurement by the Group from local cogeneration plants and its Controlling Shareholder, Chuncheng Investment, amounted to 13.80 million GJ and 1.36 million GJ respectively, with a total heat procurement of 15.16 million GJ, among which 13.00 million GJ of heat was used for the Group's heat supply and production purposes.

3. Heat resale

For the six months ended 30 June 2022, approximately 2.16 million GJ of heat procurement quota obtained from cogeneration plants and Chuncheng Investment, the controlling Shareholder, by the Group was transferred to four other heat service providers. We received heat transmission fee aggregating RMB12.29 million from such four heat service providers. Heat procured from the cogeneration plants and Chuncheng Investment, the controlling Shareholder, was firstly used to satisfy our own needs for heat supply.

The following table sets forth the breakdown of the usage data of heat procured by the Group between January to June 2022 and in the corresponding period of 2021:

	January to June 2022	January to June 2021
Estimated heat procurement quota (GJ) ⁽¹⁾	13,280,946	13,127,574 ⁽⁶⁾
Heat procurement quota transferred (GJ) ⁽²⁾	2,155,100	1,572,300 ⁽⁷⁾
Actual consumption (GJ) ⁽³⁾	13,003,200	11,816,600 ⁽⁸⁾
Total heat procured (GJ) ⁽⁴⁾	15,158,300	13,388,900 ⁽⁹⁾
Utilization rate ⁽⁵⁾	97.9%	90%

Notes:

- (1) The heat procurement quota is 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 a certain portion of our procured heat to four other heat service providers. Heat transmission fees were charged 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 measuring equipment, and the amount that is reviewed and agreed between us and five different local cogeneration plants and Chuncheng Investment, the controlling Shareholder, respectively.
- (4) The total heat procured is 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) As disclosed in the 2021 Interim Report, the estimated heat procurement quota of the Company did not include the heat procurement quota of its subsidiaries, Yatai Heating and Xixing Energy. For the purpose of data comparison, the amounts shown for January to June 2021 in the current calculation are consolidated data of the Group.

- (7) As disclosed in the 2021 Interim Report, the heat procurement quota transferred by the Company was 4,352,828 GJ, which included the heat procurement quota transferred to its subsidiary Yatai Heating, such quota has been excluded from the current calculation.
- (8) As disclosed in the 2021 Interim Report, the actual consumption of the Company was 8,098,101 GJ, and the amounts shown for January to June 2021 are consolidated data of the Group.
- (9) As disclosed in the 2021 Interim Report, the total heat procured by the Company did not include the heat procured by its subsidiaries, Yatai Heating and Xixing Energy. The amounts shown for January to June 2021 in the current calculation are consolidated data of the Group.

(2) Construction, Maintenance and Design Services and Others

The Group's construction, maintenance and design services and others cover the peripheral services business of the heat supply industry chain. We mainly provide services including engineering construction, engineering maintenance, design services and more for heat supply companies or end-users. These services mainly cover northeast China. For the six months ended 30 June 2022, revenue generated from the Group's construction, maintenance and design services and others amounted to RMB22.54 million, representing a decrease of RMB12.99 million, or 36.56%, from RMB35.53 million in the corresponding period of 2021.

1. Engineering construction

For the six months ended 30 June 2022, revenue generated from engineering construction amounted to RMB10.71 million, representing a decrease of RMB0.55 million, or 4.92%, from RMB11.26 million in the corresponding period of 2021. This was mainly due to decrease in the number of engineering construction projects as a result of the pandemic.

In the first half of 2022, our engineering construction business mainly focused on the following: 1) undertaking the Group's special projects for the renovation of heating facilities and conducting preparatory work such as site inspection, project budget and material procurement; 2) focusing on promoting the third phase of the renovation works under the "Three Supplies and Property Management" project of the Shenyang Railway Bureau — the renovation projects of heating and water supply in Siping, Changchun, Baicheng and Meihekou regions; and 3) further promoting system construction, optimising management processes, strengthening our internal control, and utilizing the off-season period for engineering construction to strengthen the streamlining of basic data such as settlement and statistics.

2. Engineering maintenance

For the six months ended 30 June 2022, revenue generated from engineering maintenance amounted to RMB3.61 million, representing a decrease of RMB9.81 million, or 73.13%, from RMB13.42 million in the corresponding period of 2021. This was mainly due to decrease in the number of engineering maintenance projects as a result of the pandemic.

In the first half of 2022, our engineering maintenance business mainly focused on the following: 1) actively carrying out safety training and effectively strengthening safety management; and 2) focusing on promoting the renovation project of the heat supply pipe network of the Jilin Forest Industry Group Hongshishan Forestry Department (吉林森工集團紅石山林業局).

3. *Design services*

For the six months ended 30 June 2022, revenue generated from design services amounted to RMB4.04 million, representing a decrease of RMB1.09 million, or 21.25%, from RMB5.13 million in the corresponding period of 2021. This was mainly due to decline in design business as a result of the pandemic.

In the first half of 2022, the engineering design business mainly focused on the following: 1) in the case of an unexpected outbreak of epidemic, insisting on online office for all staff to ensure the orderly progress of design service projects to the maximum extent; 2) increasing the investment in technological innovation and R&D projects, continuing to carry out school-enterprise cooperation with Jilin University and Changchun Institute of Technology, and conducting in-depth research on six projects including the Optimised Design and Experimental Research on Heat Pipe Support and Rear Anchor Nodes Set in Pipe Corridors (《管廊內設熱力管道支架及後錨節點優化設計與試驗研究》); and 3) strictly checking the technical evaluation, technical scheme demonstration and on-site technical services of the projects, and continuously strengthening the internal production technology management of the Company.

4. *Others*

The Group's other businesses include entrusted operation, electricity sales service and lease of property, etc.. For the six months ended 30 June 2022, revenue generated from other businesses amounted to RMB4.18 million, representing a decrease of RMB1.53 million, or 26.77%, from RMB5.71 million in the corresponding period of 2021. This was mainly due to decrease of revenue from service charges for sales of electricity during the current period.

(3) Safety Management

In the first half of 2022, the Group adhered to the production safety policy of “safety first, with focus on prevention and implementing comprehensive management (安全第一、預防為主、綜合治理)”. Major government decisions and deployments on production safety were implemented at all levels. The Group has been continuously constructing a standardized production safety management system and has been establishing a subject responsibility system for production safety.

Through specific security work such as “holding special meetings on safety management at all levels”, “entering into safety responsibility letters with all production units”, “fully implementing safety education, training and drills” and “strengthening personnel safety and production safety management during unexpected epidemic outbreaks”, we achieved the expected goal of raising safety awareness, enhancing the quality of corporate security. Regular or irregular safety inspections were also organized by the relevant departments, while problems observed were followed up and rectified to eliminate safety hazards. During the Reporting Period, the Group did not experience any major safety incident.

(4) Technology and R&D

In the first half of 2022, the Group continued to explore the research and development and application of new technologies and materials in the industry through in-house R&D and cooperation with social organizations including universities, which contributed to the progress in the design, research and development and application of projects such as the “Heat Supply e-Home (熱力e家)” mobile app.

In terms of intelligent renovation of heating facilities, the Group selected pilot districts and adopted a graded control approach for buildings, units and households to achieve dual-network balance through technical adjustment. As demonstrated in the trial results, the Group had substantially achieved the established target of a comprehensive energy saving rate of 7%.

For heating pipe maintenance, the trial on the “Trenchless Repair Technology” was conducted with satisfying outcomes. This technology provides a new repair technology solution for pipeline repair work in sections where underground pipelines are complex or where excavation is not allowed.

During the Reporting Period, the Group obtained a total of 8 new utility model patents granted by the China National Intellectual Property Administration and 3 computer software copyright licenses granted by the National Copyright Administration.

(5) Honors and Awards

On 11 January 2022, the Group was awarded the “Best Infrastructure and Utilities Company (最佳基建及公共事業公司)” at the “2022 Global Investment Trends Forum and the Sixth Golden Hong Kong Stock Awards Ceremony (2022全球投資趨勢論壇暨第六屆金港股頒獎典禮)”.

In January 2022, the Group was awarded the “Investor Relationship Pioneer Award (投關先鋒獎)” by RoyalFlush Finance (同花順財經).

II. FINANCIAL POSITION AND OPERATING RESULTS

(1) Revenue

For the six months ended 30 June 2022, the Group’s revenue amounted to RMB887,542.1 thousand, as compared with RMB878,920.6 thousand for the corresponding period of 2021, representing an increase of 0.98%, primarily due to an increase in revenue from heat supply business.

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

	For the six months ended 30 June		
	2022 RMB0’000 (Unaudited)	2021 RMB0’000 (Audited)	Change in percentage
Heat supply, of which:			
– Heating fee income	81,822.62	79,196.76	3.32%
– Pipeline connection fee	3,448.75	4,222.44	–18.32%
– Pipeline transmission fee	1,229.17	920.22	33.57%
Sub-total	86,500.54	84,339.42	2.56%
Construction, maintenance and design services, of which:			
– Engineering construction	1,070.93	1,126.33	–4.92%
– Engineering maintenance	360.69	1,342.44	–73.13%
– Design services	403.83	512.76	–21.25%
– Others	418.22	571.11	–26.77%
Sub-total	2,253.67	3,552.64	–36.56%
Total	88,754.21	87,892.06	0.98%

(2) Other Income and Other Net Gains

For the six months ended 30 June 2022, the Group's other income and other net gains amounted to RMB14,068.9 thousand, as compared with RMB15,087.7 thousand for the corresponding period of 2021, representing a decrease of 6.75%, which was principally attributable to (i) non-operating income of RMB120.6 thousand for the six months ended 30 June 2022 as compared with RMB4,107.4 thousand for the corresponding period of 2021, representing a decrease of 97.06%. Such decrease was mainly due to the listing subsidy amounted to RMB4,000.0 thousand received by the Company for the corresponding period of 2021, which was included in non-operating income; (ii) other income of RMB5,365.7 thousand for the six months ended 30 June 2022, as compared with RMB3,194.3 thousand for the corresponding period of 2021, representing an increase of 67.98%, which was attributable to an increase in other income as the Company received subsidy income including pandemic-related insurance concession and one-off staff training subsidy in 2022; (iii) interest income from bank deposits of RMB8,656.1 thousand for the six months ended 30 June 2022, as compared with RMB7,490.0 thousand for the corresponding period of 2021, representing an increase of 15.57%, which was attributable to the increase in interest income as a result of an increase in bank deposits of the Company in 2022.

(3) Operating Costs

For the six months ended 30 June 2022, the Group's operating costs amounted to RMB760,186.6 thousand, as compared with RMB673,614.6 thousand for the corresponding period of 2021, representing an increase of 12.85%. The following table sets out the breakdown of operating costs by business segment:

	For the six months ended 30 June		Change in percentage
	2022 RMB0'000 (Unaudited)	2021 RMB0'000 (Audited)	
Operating costs by business segment			
Heat supply	74,674.41	64,495.06	15.78%
Construction, maintenance and design services	<u>1,344.25</u>	<u>2,866.40</u>	<u>-53.10%</u>
Total	<u>76,018.66</u>	<u>67,361.46</u>	<u>12.85%</u>

Heat supply costs

Operating costs for heat supply business primarily consists of heat procurement costs in connection with heat procurement from local cogeneration plants, repair and labor costs (primarily includes wages, salaries and benefits for our employees involved in the provision and distribution of heat) and utility costs.

The breakdown of operating costs by component under the heat supply business is as follows:

	For the six months ended 30 June		
	2022	2021	Change in
	RMB0'000	RMB0'000	percentage
	(Unaudited)	(Audited)	
Cost of sales for heat supply			
Heat procurement costs	46,658.24	39,529.35	18.03%
Coal	3,328.19	1,342.62	147.89%
Maintenance and repair	1,407.80	2,175.31	-35.28%
Wage	6,886.76	6,529.61	5.47%
Depreciation and amortization	6,755.48	6,611.90	2.17%
Utility	5,063.04	4,590.09	10.30%
Input VAT transferred out	2,910.05	2,722.21	6.90%
Others	1,664.85	993.96	67.50%
Total	<u>74,674.41</u>	<u>64,495.06</u>	<u>15.78%</u>

For the six months ended 30 June 2022, the Group's heat procurement costs amounted to RMB466,582.4 thousand, as compared with RMB395,293.5 thousand for the corresponding period of 2021, representing an increase of 18.03%. This was primarily due to an increase in cost of heat procurement arising from the increase in the price of heat sources of certain suppliers resulted from the significant increase in coal procurement price, and the extension of the heat supply period due to the epidemic.

For the six months ended 30 June 2022, the Group's coal cost amounted to RMB33,281.9 thousand, as compared with RMB13,426.2 thousand for the corresponding period of 2021, representing an increase of 147.89%. This was primarily due to an increase in coal cost arising from the significant increase in coal procurement price in 2022 and the extension of the heat supply period due to the epidemic.

For the six months ended 30 June 2022, the Group's maintenance and repair costs amounted to RMB14,078.0 thousand, as compared with RMB21,753.1 thousand for the corresponding period of 2021, representing a decrease of 35.28%. This was primarily due to the postponement of certain maintenance and repair projects of the Company until the second

half of the year under the impact of the epidemic during the period, which resulted in a decrease in maintenance and repair costs in the current period as compared with the corresponding period of 2021.

Costs for construction, maintenance and design services

Operating costs for construction, maintenance and design services primarily consists of cost of materials, labor, machinery and other costs. For the six months ended 30 June 2022, the Group's operating costs for construction, maintenance and design services amounted to RMB13,442.5 thousand, as compared with RMB28,664.0 thousand for the corresponding period of 2021, representing a decrease of 53.10%. The change in operating costs was generally in line with the decrease in revenue for construction, maintenance and design services.

(4) *Gross Profit and Gross Profit Margin*

For the six months ended 30 June 2022, the Group's gross profit amounted to RMB127,355.4 thousand, as compared with RMB205,306.0 thousand for the corresponding period of 2021, representing a decrease of 37.97%. This was mainly due to (1) the increase in heat procurement costs in the current period due to the increase in heat supply price of certain suppliers resulted from the surge in coal price; (2) the increase in heat supply costs due to the seven-day extension of the heat supply period as the Company responded to the government's requirements in view of the epidemic in the current period; (3) the significant increase in the Company's coal procurement costs in the current period due to the substantial rise in coal price.

(5) *Administrative Expenses*

For the six months ended 30 June 2022, the Group's administrative expenses amounted to RMB40,929.7 thousand, as compared with RMB47,832.6 thousand for the corresponding period of 2021, representing a decrease of 14.43%, which was primarily due to the decrease in administrative activities as a result of the epidemic in the first half of 2022, resulting in the decrease in the corresponding expenses.

(6) *Finance Costs*

For the six months ended 30 June 2022, the Group's finance costs amounted to RMB16.9 thousand, as compared with RMB6,462.8 thousand for the corresponding period of 2021, representing a decrease of 99.74%, which was principally due to the finance costs incurred for the transfer of trade receivables of the Group's construction business for the corresponding period of 2021.

(7) *Income Tax Expense*

For the six months ended 30 June 2022, the Group's income tax expense was RMB25,951.7 thousand, as compared with RMB44,710.7 thousand for the corresponding period of 2021, representing a decrease of 41.96%, which was primarily 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 Period*

For the six months ended 30 June 2022, the Group's profit for the period amounted to RMB63,762.3 thousand, as compared with RMB125,530.0 thousand for the corresponding period of 2021, representing a decrease of 49.21%. This was primarily due to (1) the increase in heat procurement costs in the current period which was mainly attributable to the increase in heat supply price of certain suppliers resulting from the surge in coal price; (2) the increase in heat supply costs due to the seven-day extension of the heat supply period as the Company responded to the government's requirements in view of the epidemic in the current period; (3) the significant increase in the Company's coal procurement costs in the current period due to the substantial rise in coal price; (4) in 2022, as a result of the epidemic, there were no newly undertaken large-scale engineering maintenance projects, which resulted in the relatively low amount of projects undertaken during the first half of 2022 as compared with the corresponding period of 2021.

(9) *Profit Attributable to Owners of the Company*

For the six months ended 30 June 2022, profit attributable to owners of the Company was RMB63,762.3 thousand as compared with RMB125,530.0 thousand for the corresponding period of 2021, representing a decrease of 49.21%. Profit attributable to owners of the Company was in line with profit for the period.

(10) *Liquidity and Capital Resources*

As at 30 June 2022, the Group had cash and cash equivalents of RMB392,059.1 thousand, representing a decrease of 40.98% as compared with the balance of RMB664,306.7 thousand as at 31 December 2021, which was mainly due to (i) net cash outflow from operating activities of RMB634,581.0 thousand primarily as a result of the payment of RMB580,558.0 thousand in cash by the Company for goods and services; and (ii) net cash inflow from financing activities of RMB364,919.3 thousand primarily as a result of the additional borrowings of RMB378,990.4 thousand during the period.

(11) *Capital Expenditure*

For the six months ended 30 June 2022, the Group's capital expenditure amounted to RMB2,585.9 thousand, as compared with RMB71,743.2 thousand for the corresponding period of 2021, representing an decrease of 96.40%. This was mainly attributable to the decrease in the purchase of fixed assets during the period.

(12) Capital Structure

As at 30 June 2022, the equity attributable to owners of the Group amounted to RMB950,953.0 thousand, representing an increase of RMB10,670.7 thousand as compared with 31 December 2021. This was mainly due to the distribution of final dividend for the year of 2021 declared during the period resulting in a decrease in undistributed profits, and the increase in profit during the period. As at 30 June 2022, the Group's total interest-bearing bank and other borrowings amounted to approximately RMB378,990.4 thousand at a fixed interest rate of 3.8% per annum.

Gearing ratio is the percentage of total interest-bearing liabilities (including interest-bearing bank and other borrowings and lease liabilities), net of cash and cash equivalents, to total equity at the end of each financial period. As at 30 June 2022, the Group's cash and cash equivalents exceeded the Group's total interest-bearing liabilities.

(13) Material Acquisitions and Disposals

For the six months ended 30 June 2022, the Group did not have any material acquisitions and disposals.

(14) Charge on Assets

As at 30 June 2022, the Group did not have any charge on assets.

(15) Contingencies

As at 30 June 2022, the Group did not have any material contingencies.

III. RISK FACTORS AND RISK MANAGEMENT

(1) Industry Risk

The cost of the Group's heat supply business mainly consists of heat source costs, which are largely subject to fluctuations in the domestic coal market. The price of heat sources varies with the adjustments of government macro policies and market fluctuations. The Group has limited bargaining power over the price of heat sources and does not have pricing power over the price of heat supply to end users.

The Group will continue to implement effective cost control, enhance service quality, strengthen market resilience and ensure the quality of heat supply.

(2) Policy Risk

The government attaches great importance to the stable development of the public infrastructure industry. Significant changes in policies relating to the heat supply industry may intensify competition in the industry, which may impact the Group's operations. Government authorities may further introduce more stringent environmental protection standards and meeting such standards may lead to an increase in the Group's operating costs.

The Group will make prompt and corresponding adjustments in areas such as service standards and quality control in accordance with the adjustments in national policies and strengthen its management.

(3) Climate Risk

The Group's heating business is affected by outdoor temperature during the heat supply period. Whenever the outdoor temperature during the heat supply period is lower, the Group will need to purchase more heat to maintain the required indoor temperature, which may lead to an increase in the overall cost of heating, and vice versa.

The Group will continue to develop its smart heating network system, increase its investment in technological innovation and continue to make progress in reducing consumption and increasing efficiency, in order to give back to society with better heat supply quality.

(4) Exchange Risk

The Group's business activities are mainly conducted in the PRC. Changes in exchange rates do not have a material effect on the Group.

(5) COVID-19-related Risk

The development of the COVID-19 epidemic has caused regional closure and traffic standstill to a certain extent, resulting in the extension of the heat supply period, the increase in energy and transportation costs, and delay in the construction of some projects. In Jilin Province, the epidemic is gradually under effective control. However, there is a high degree of uncertainty in the global epidemic and its prevention and control. In case of repeated outbreaks of epidemic in China in the future, there may be adverse impacts on the production and operation of the Group.

IV. PROSPECT FOR THE SECOND HALF OF 2022

In the second half of 2022, the Group will continue to carry out its production and operation policy, actively respond to the pressure and challenges brought about by changes in the market environment, concentrate on improving the quality of its heating services and leverage on the synergistic effect of construction, maintenance and design services, with a focus on the following:

- (i) The Group will continue to upgrade the relevant functions of the intelligent platform system and continue to promote accurate heat supply to provide users with heat supply that brings higher level of comfort while saving energy and reducing consumption. At the same time, the Group will persistently conduct overhaul and maintenance of equipment in summer, and constantly optimize the emergency repair process in case of emergencies, strengthen the establishment of the heat supply repair team, give full play to the functions of drone inspection technology and continuously enhance our maintenance and repair capability, ensure the stable operation of heating facilities in an all-rounded and diversified manner.
- (ii) The Group will continue to enhance its research and development capabilities in the field of heat supply and accelerate the realization of research and development results.
- (iii) The Group will promote active participation in market competition in operations including construction, maintenance and design.
- (iv) The Group will continue to enhance its corporate governance capabilities, strengthen training for directors, supervisors and senior management and improve their understanding of regulatory policies and rules, thereby driving the Group's development towards higher levels.

V. EVENTS AFTER THE REPORTING PERIOD

Since 30 June 2022 and up to the date of this announcement, there is no other material events or transactions affecting the Group.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

Compliance with Corporate Governance Code

As a company listed on the Hong Kong Stock Exchange, the Company always strives to maintain a high level of corporate governance and complies with code provisions as set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Reporting Period.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct and rules governing the dealings by all 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 six months ended 30 June 2022. The Company has also set up guidelines in respect of 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 responsibilities in relation to the preparation of financial statements and accounts of the Company and on ensuring 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

For the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities or redeemable securities.

Convertible Securities, Options, Warrants and Similar Rights

For the six months ended 30 June 2022, there were no convertible securities, options, warrants and other similar rights issued or granted by the Company or any of its subsidiaries, nor were there any conversion rights or subscription rights exercised pursuant to any convertible securities, options, warrants and other similar rights issued or granted by the Company or any of its subsidiaries at any time.

Debentures in Issue

For the six months ended 30 June 2022, neither the Company nor any of its subsidiaries issued any debentures.

Review of Interim Results

The Company has established 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, an independent non-executive Director, is the chairman of the Audit Committee. The Audit Committee and the independent auditor of the Company have reviewed the interim results of the Group for the six months ended 30 June 2022, and have agreed with the accounting adopted by the Company.

Amendments to the Articles of Association

The amendments to the Articles of Association were approved at the annual general meeting of the Company for the year 2021 held on 20 May 2022, details of which are set out in the circular of the Company dated 19 April 2022. The latest version of the Articles of Association is also available on the websites of the Company and the Hong Kong Stock Exchange.

Publication of Interim Results and Interim Report

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 2022 interim 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 practice note for the ASBEs, the interpretation of ASBEs and other relevant requirements
“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
“China” or “PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Chuncheng Investment”	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司), previously known as 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
“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
“Group”	the Company and its subsidiaries
“heat service area”	gross floor areas covered by our heat supply, including both the heat service area which we fully and partially charge for 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” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Reporting Period”	the period from 1 January 2022 to 30 June 2022
“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 (三供一業)”	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), a wholly-owned subsidiary of the Company
“Yatai Heating”	Changchun Yatai Heating Company Limited* (長春亞泰熱力有限責任公司), a wholly-owned subsidiary of the Company
“%”	percent

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

Jilin, the PRC, 26 August 2022

As at the date of this announcement, the non-executive Director of the Company 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 of the Company are Mr. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man.

* *For identification purpose only*