



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

INTERIM REPORT 2022



* For identification purpose only

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CORPORATE INFORMATION

CORPORATE INFORMATION

Name in Chinese: 吉林省春城熱力股份有限公司
Name in English: Jilin Province Chuncheng Heating Company Limited*
Registered Address: Block 28, Area B, Nanhu Road Community, 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, PRC
Headquarter/
Principal Place of Business: Block 28, Area B, Nanhu Road Community, 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, PRC
Place of Business in Hong Kong: 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Company's Website: www.cc-tp.com.cn
Email: ccrl-zqb@ccrljt.com

INFORMATION OF H SHARE OF THE COMPANY

Stock Short Name: CHUNCHENG HEAT
Stock Code: 1853

EXECUTIVE DIRECTORS

Mr. YANG Zhongshi (*Vice Chairman of the Board*)
Mr. SHI Mingjun
Mr. XU Chungang
Mr. LI Yeji

NON-EXECUTIVE DIRECTOR

Mr. LIU Changchun (*Chairman of the Board*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Yuguo
Mr. FU Yachen
Mr. POON Pok Man

SUPERVISORS

Mr. QIU Jianhua (*Chairman*)
Ms. ZHANG Wei
Ms. LI Xiaoling

AUTHORIZED REPRESENTATIVES

Mr. XU Chungang
Mr. WAN Tao

AUDIT COMMITTEE

Mr. POON Pok Man (*Chairman*)
Mr. LIU Changchun
Mr. WANG Yuguo

REMUNERATION COMMITTEE

Mr. FU Yachen (*Chairman*)
Mr. XU Chungang
Mr. POON Pok Man

NOMINATION COMMITTEE

Mr. WANG Yuguo (*Chairman*)
Mr. YANG Zhongshi
Mr. FU Yachen

STRATEGY COMMITTEE

Mr. LIU Changchun (*Chairman*)
Mr. SHI Mingjun
Mr. WANG Yuguo



CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

Mr. WAN Tao
Mr. LEE Chung Shing

H SHARE REGISTRAR

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Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

AUDITOR

Da Hua Certified Public Accountants
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Haidian District, Beijing

LEGAL ADVISERS

as to Hong Kong law: Lau, Horton & Wise LLP
In Association with CMS
Hasche Sigle Hong Kong LLP
8th Floor, Nexus Building,
41 Connaught Road Central,
Hong Kong

as to PRC law: Jilin ZhengJi Law Firm*
(吉林正基律師事務所)
No.1 Fuzhi Road, Jingyue Economic
Development Zone, Changchun City,
Jilin Province, PRC

PRINCIPAL BANKS

Jilin Jiutai Rural Commercial Bank (Xinjia Branch)
Jilin Jiutai Rural Commercial Bank (Jingyue Branch)
Bank of Jilin Co., Ltd. (Changchun Technology Branch)
Bank of China Co., Ltd. (Nanhu Road Branch)
Bank of China Co., Ltd. (Jiefang Road Branch)
Bank of Communications Co., Ltd. (Chaoyang Branch)
Bank of Jilin Co., Ltd. (Changchun FAW Branch)
Industrial and Commercial Bank of China Limited
(People's Square Branch)



INTERIM FINANCIAL SUMMARY

SUMMARY OF COMBINED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

Item in Combined Income Statement	2022	2021
	RMB0'000 (Unaudited)	RMB0'000 (Audited)
Operating revenue	88,754.21	87,892.06
Total profit	8,971.41	17,024.07
Income tax expenses	2,595.17	4,471.07
Net profit	6,376.23	12,553.00
Minority interests	—	—

SUMMARY OF COMBINED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2022

Item in Combined Statement of Financial Position	30 June	31 December
	2022	2021
	RMB0'000 (Unaudited)	RMB0'000 (Audited)
Total non-current assets	124,761.99	131,041.59
Total current assets	107,179.75	158,402.51
Total assets	231,941.74	289,444.11
Total non-current liabilities	12,276.66	13,269.05
Total current liabilities	124,569.77	182,146.82
Total liabilities	136,846.44	195,415.87
Total shareholder's equity	95,095.30	94,028.23



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.



MANAGEMENT DISCUSSION AND ANALYSIS

	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⁾	59,026	11.58%	56,756	11.22%
Total	509,528	100%	505,788	100%

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, Chun Cheng 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, Chun Cheng 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 Chun Cheng 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 Chun Cheng Investment, the controlling Shareholder, was firstly used to satisfy our own needs for heat supply.



MANAGEMENT DISCUSSION AND ANALYSIS

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:

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| <p>(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.</p> <p>(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.</p> <p>(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 Chun Cheng Investment, the controlling Shareholder, respectively.</p> <p>(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.</p> <p>(5) Utilization rate of heat procurement is calculated by dividing the actual consumption by the estimated heat procurement quota.</p> | <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> |
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MANAGEMENT DISCUSSION AND ANALYSIS

(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).



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

(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.



MANAGEMENT DISCUSSION AND ANALYSIS

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; and (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.



MANAGEMENT DISCUSSION AND ANALYSIS

(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		
	2022 RMB0'000 (Unaudited)	2021 RMB0'000 (Audited)	Change in percentage
Operating costs by business segment			
Heat supply	74,674.41	64,495.06	15.78%
Construction, maintenance and design services	1,344.25	2,866.40	-53.10%
Total	76,018.66	67,361.46	12.85%

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 RMB0'000 (Unaudited)	2021 RMB0'000 (Audited)	Change in percentage
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	74,674.41	64,495.06	15.78%



MANAGEMENT DISCUSSION AND ANALYSIS

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; and (3) the significant increase in the Company's coal procurement costs in the current period due to the substantial rise in coal price.



MANAGEMENT DISCUSSION AND ANALYSIS

(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; and (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.



MANAGEMENT DISCUSSION AND ANALYSIS

(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 a 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 report, there is no other material events or transactions affecting the Group.



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has always been committed to enhancing its corporate governance standard and regarded corporate governance as an integral part to creating values for Shareholders. The Company has established a modern corporate governance structure which comprises a number of independently operated and effectively balanced bodies including general meetings, Board of Directors, supervisory committee and senior management with reference to the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and the requirements of the Articles of Association. The Company has also adopted the Corporate Governance Code as its own corporate governance practices.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in safeguarding the interests of the Shareholders and enhancing corporate value and accountability. The Company has applied the principles set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

The Directors consider that the Company has complied with the applicable code provisions as set out in the Corporate Governance Code during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Company has adopted Appendix 10 to the Listing Rules as the Model Code for Directors, Supervisors and relevant employees of the Company in dealing in securities of the Company. Based on the specific enquiry made by the Company with all Directors and Supervisors, all Directors and Supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the Reporting Period.

The Company is not aware of any non-compliance of the Model Code by the Directors, Supervisors or relevant employees during the Reporting Period.

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.



CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications or appropriate accounting or relevant financial management expertise in accordance with the requirements of the Listing Rules. The Company appointed a total of three independent non-executive Directors, namely Mr. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man.

The first meeting of the independent non-executive Directors for 2022 was convened by the Company on 30 March 2022 to mainly consider the implementation of the proposals on the profit distribution for 2021 and the connected transactions for 2021, and the performance of the independent Directors for 2021.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules, the terms of reference of which are available on the websites of the Hong Kong Stock Exchange and the Company. During the Reporting Period, the audit committee comprised three Directors, namely Mr. Poon Pok Man (independent non-executive Director), Mr. Liu Changchun (non-executive Director) and Mr. Wang Yuguo (independent non-executive Director). Mr. Poon Pok Man is the chairman of the audit committee.

For the six months ended 30 June 2022, the audit committee held 2 meetings. The first meeting of the audit committee for 2022 was convened on 30 March 2022 by the Company, at which the following resolutions were considered and passed:

- (1) Resolution on the effectiveness of the Company's financial controls, internal controls and risk management;
- (2) Resolution on the major internal audit matters for 2021 and the approval of future internal audit plans, fee budgets, and other related matters;

- (3) Resolution on the report of financial final accounts of the Company for 2021;
- (4) Resolution on the financial budget report of the Company for 2022;
- (5) Resolution on the finalization of 2021 audited consolidated financial statements (near final version);
- (6) Resolution on the 2021 annual results announcement (near final version);
- (7) Resolution on the 2021 annual report (near final version);
- (8) Resolution on the proposals on the profit distribution for 2021;
- (9) Resolution on confirming the implementation of the connected transactions and the regulations governing the connected transactions for 2021;
- (10) Resolution on the re-appointment of Da Hua Certified Public Accountants as the external auditor.

The second meeting of the audit committee for 2022 was convened on 27 June 2022 by the Company, at which the following resolutions were considered and passed:

- (1) Resolution on the 2019-2021 financial statements and audit report of the Company;
- (2) Resolution on the 2019-2021 internal control assurance report and related financial description of the Company;
- (3) Resolution on the review report for the first quarter in 2022 of the Company.



CORPORATE GOVERNANCE REPORT

On 26 August 2022, the audit committee of the Company has reviewed and confirmed the interim results announcement for the six months ended 30 June 2022, the interim report for 2022, and the unaudited interim financial statements for the six months ended 30 June 2022 prepared in accordance with the provisions of the ASBEs No. 32 "Interim Financial Statements".

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance with the Listing Rules, the terms of reference of which are available on the websites of the Hong Kong Stock Exchange and the Company. During the Reporting Period, the remuneration committee comprised three Directors, namely, Mr. Fu Yachen (independent non-executive Director), Mr. Xu Chungang (executive Director) and Mr. Poon Pok Man (independent non-executive Director). Mr. Fu Yachen is the chairman of the remuneration committee.

The first meeting of the remuneration committee for 2022 was convened on 30 March 2022 by the Company, at which resolutions in relation to the review of the remuneration of the Directors, Supervisors and senior management, remuneration policy and remuneration structure were passed.

NOMINATION COMMITTEE

The Company has established a nomination committee with written terms of reference in compliance with the Listing Rules and its terms of reference are available on the websites of the Hong Kong Stock Exchange and the Company. During the Reporting Period, the nomination committee comprised three Directors, namely Mr. Wang Yuguo (independent non-executive Director), Mr. Yang Zhongshi (executive Director) and Mr. Fu Yachen (independent non-executive Director). Mr. Wang Yuguo is the chairman of the nomination committee.

The first meeting of the nomination committee for 2022 was convened on 30 March 2022 by the Company, at which the following resolutions were considered and passed:

- (1) Resolution on the structure, size, composition and diversity of the Board;
- (2) Resolution on the assessment of the independence of the independent non-executive Directors;
- (3) Resolution on the assessment of the leadership and contributions of the Directors;
- (4) Resolution on the performance of the corporate governance functions and related matters.

STRATEGY COMMITTEE

The Company has established a strategy committee with written terms of reference in compliance with the Listing Rules and its terms of reference are available on websites of the Hong Kong Stock Exchange and the Company. During the Reporting Period, the strategy committee comprised three Directors, namely Mr. Liu Changchun (non-executive Director), Mr. Wang Yuguo (independent non-executive Director) and Mr. Shi Mingjun (executive Director). Mr. Liu Changchun is the chairman of the strategy committee.

The first meeting of the strategy committee for 2022 was convened on 30 March 2022 by the Company, at which a resolution in relation to the 2021 environmental, social and governance report (near final version) was passed.



OTHER INFORMATION

SHARE CAPITAL

As at 30 June 2022, the total share capital of the Company comprised 466,700,000 Shares, divided into 350,000,000 Domestic Shares and 116,700,000 H Shares, with par value of RMB1.00 each. After the Listing of the H Shares on the Main Board of the Hong Kong Stock Exchange, the Company did not issue any new Shares in exchange for cash.

INTERIM DIVIDEND

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

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 OR 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.

ISSUE OF BONDS

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

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed to be their interests or short positions in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.



OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES

As at 30 June 2022, to the knowledge of the Directors, the persons (other than a Director, Supervisor or chief executive of the Company) who have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholders	Types of Shares	Capacity	Number of Shares/ underlying Shares held (share) (Note 4)	Percentage of relevant class of share capital (%) (Note 5)	Percentage of total share capital (%) (Note 6)
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Domestic Shares	Beneficial owner	325,500,000(L)	93.00	69.75
Changchun State-owned Capital Investment Operation (Group) Co., Ltd.* (長春市國有資本投資運營(集團)有限公司)	Domestic Shares	Beneficial owner	24,500,000(L)	7.00	5.25
China Foreign Economic and Trade Trust Co., Ltd. (Note 1)	H Shares	Trustee	29,202,500(L)	25.02	6.26
Cititrust Private Trust (Cayman) Limited (Note 2)	H Shares	Interest of a controlled corporation	26,750,000(L)	22.92	5.73
Fantasy Races Limited (Note 2)	H Shares	Interest of a controlled corporation	26,750,000(L)	22.92	5.73
Harvest Well Holdings Limited (Note 2)	H Shares	Interest of a controlled corporation	26,750,000(L)	22.92	5.73
Ming Fai International Limited (Note 2)	H Shares	Interest of a controlled corporation	26,750,000(L)	22.92	5.73
Joywise Holdings Limited (Note 2)	H Shares	Interest of a controlled corporation	26,750,000(L)	22.92	5.73
Sunshine 100 China Holdings Ltd. (Note 2)	H Shares	Beneficial owner	26,750,000(L)	22.92	5.73
SDIC Taikang Trust Co., Ltd. (Note 3)	H Shares	Trustee	17,510,000(L)	15.00	3.75

Notes:

- China Foreign Economic and Trade Trust Co., Ltd. is the trustee of SCBCN — Foreign Economy and Trade Trust Co., Ltd-Fotic Wuxingbaichuan No. 37 Unitrust.
- Sunshine 100 China Holdings Ltd. is interested in 26,750,000 H Shares. Sunshine 100 China Holdings Ltd. is owned as to 66.34% by Joywise Holdings Limited; Joywise Holdings Limited is owned as to 60% and 40% by Harvest Well Holdings Limited and Ming Fai International Limited, respectively; each of Harvest Well Holdings Limited and Ming Fai International Limited is owned as to 72.4% by Fantasy Races Limited; and Fantasy Races Limited is owned as to 100% by Cititrust Private Trust (Cayman) Limited. By virtue of the SFO, Joywise Holdings Limited, Ming Fai International Limited, Harvest Well Holdings Limited, Fantasy Races Limited and Cititrust Private Trust (Cayman) Limited are deemed to be interested in the H Shares held by Sunshine 100 China Holdings Ltd.
- SDIC Taikang Trust Co., Ltd. is the trustee of SDIC Taikang Trust — Ruijin No. 7 & 8 QDII Single Fund Trust.
- The Letter "L" denotes the relevant person's long position in such Shares.
- Based on 350,000,000 Domestic Shares or 116,700,000 H Shares of the Company in issue as at 30 June 2022.
- Based on the total issued share capital of the Company of 466,700,000 Shares as at 30 June 2022.



OTHER INFORMATION

CHANGE IN INFORMATION OF DIRECTORS AND SUPERVISORS

As at 30 June 2022, there is no change in information of Directors and Supervisors of the Company.

STAFF AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 1,554 employees. The remuneration of the Group's employees comprised basic salary and performance bonus. Performance bonus is determined based on the Group's results performance and individual performance evaluation.

SIGNIFICANT LEGAL PROCEEDINGS

As at 30 June 2022, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.



COMBINED STATEMENT OF FINANCIAL POSITION

(presented in RMB unless otherwise stated)

Item	Note VI	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	(I)	222,579,449.87	223,060,999.01
Trade receivables financing			—
Prepayments	(II)	306,876,676.22	508,937,790.32
Other receivables	(III)	6,692,787.85	6,941,347.08
Inventories		16,179,190.72	30,384,096.14
Contract assets	(IV)	111,934,410.53	133,161,280.32
Assets held for sale			
Non-current assets due within one year			
Other current assets	(V)	15,475,910.36	17,232,911.07
TOTAL CURRENT ASSETS		1,071,797,537.77	1,584,025,122.09
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



COMBINED STATEMENT OF FINANCIAL POSITION

Item	Note VI	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	(VII)	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	(VIII)	52,160,641.13	17,429,924.15
Liabilities held for sale		—	—
Non-current liabilities due within one year	(IX)	981,380.47	975,251.76
Other current liabilities	(X)	2,789,769.78	1,760.92
TOTAL CURRENT LIABILITIES		1,245,697,746.76	1,821,468,233.49
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)	(XI)	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

(presented in RMB unless otherwise stated)

Item	Note VI	30 June 2022 (Unaudited)	30 June 2021 (Audited)
I. TOTAL OPERATING INCOME	(XIII)	887,542,062.06	878,920,613.77
Less: Operating costs	(XIV)	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	(XV)	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	(XVI)	25,951,732.47	44,710,697.99
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		—	—



COMBINED INCOME STATEMENT

Item	Note VI	30 June 2022 (Unaudited)	30 June 2021 (Audited)
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		—	—
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:	(XIX)		
(I) Basic earnings per Share		0.14	0.27
(II) Diluted earnings per Share		0.14	0.27



COMBINED STATEMENT OF CASH FLOWS

(presented in RMB unless otherwise stated)

Item	Note VI	30 June 2022 (Unaudited)	30 June 2021 (Audited)
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		123,110,628.67	337,461,236.28
Tax rebates received		38,398,829.67	16,241.40
Cash received relating to other operating activities		21,608,125.37	127,310,591.41
Sub-total of cash inflows from operating activities		183,117,583.71	464,788,069.09
Cash paid for purchase of goods and receipt of services		580,557,966.01	471,631,372.75
Cash paid to and on behalf of employees		170,011,677.68	127,431,905.67
Payments of tax charges		46,095,051.58	98,784,836.59
Cash paid relating to other operating activities		21,033,926.32	147,683,955.25
Sub-total of cash outflows from operating activities		817,698,621.59	845,532,070.26
Net cash flows from operating activities		-634,581,037.88	-380,744,001.17
II. Cash flows from investing activities:			
Cash received from recovery of investments		—	—
Cash received from returns on investments		—	—
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		—	—
Net cash received from disposal of subsidiaries and other operating entities		—	—
Cash received relating to other investing activities		—	—
Sub-total of cash inflows from investing activities		—	—
Cash paid to acquire fixed assets, intangible assets and other long-term assets		2,585,853.60	71,743,174.55
Cash paid to acquire investments		—	117,342,740.00
Net cash paid to acquire subsidiaries and other operating entities		—	—
Cash paid relating to other investing activities		—	—
Sub-total of cash outflows from investing activities		2,585,853.60	189,085,914.55
Net cash flows from investing activities		-2,585,853.60	-189,085,914.55



COMBINED STATEMENT OF CASH FLOWS

Item	Note VI	30 June 2022 (Unaudited)	30 June 2021 (Audited)
III. CASH FLOWS FROM FINANCING ACTIVITIES:		—	—
Cash received from capital contributions		—	—
Of which: Cash received from capital contributions by minority Shareholders in subsidiaries		—	—
Cash received from borrowings		378,990,355.06	2,617,862.53
Cash received relating to other financing activities		—	—
Sub-total of cash inflows from financing activities		378,990,355.06	2,617,862.53
Cash paid for repayment of debts		—	—
Cash paid for distribution of dividends, profits or interest payment		14,071,049.51	—
Of which: dividends and profits paid to minority Shareholders by subsidiaries		—	—
Cash paid relating to other financing activities		—	35,719.20
Sub-total of cash outflows from financing activities		14,071,049.51	35,719.20
Net cash flows from financing activities		364,919,305.55	2,582,143.33
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		—	-7,397.88
V. NET INCREASE IN CASH AND CASH EQUIVALENTS		-272,247,585.93	-567,255,170.27
Add: Cash and cash equivalent balance at beginning of the period		664,306,698.15	732,404,368.33
VI. CASH AND CASH EQUIVALENT BALANCE AT END OF THE PERIOD		392,059,112.22	165,149,198.06



COMBINED STATEMENT OF CHANGES IN EQUITY

(presented in RMB unless otherwise stated)

January to June 2022
(Unaudited)

Item	Note	Shareholders' equity attributable to the parent company								Minority interests	Total Shareholders' equity
		Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
I. Closing balance of previous year		466,700,000.00	—	68,370,342.51	—	-1,629,142.82	22,600,130.11	43,789,845.52	340,451,167.21		940,282,342.53
Add: Change in accounting policy											—
Correction of accounting errors for prior period											—
Business combination under common control											—
Others											—
II. Opening balance of current year		466,700,000.00	—	68,370,342.51	—	-1,629,142.82	22,600,130.11	43,789,845.52	340,451,167.21	—	940,282,342.53
III. Changes during the period		—	—	—	—	—	578,842.15	—	10,091,848.25	—	10,670,690.40
(I) Total comprehensive income						—			63,762,348.25		63,762,348.25
(II) Shareholders' contribution and capital reduction		—	—	—	—	—	—	—	—	—	—
1. Ordinary Shares contribution by Shareholders											—
2. Capital invested by other equity instrument holders											—
3. Share payment included in shareholders' equity											—
4. Others											—
(III) Profit appropriation		—	—	—	—	—	—	—	-53,670,500.00	—	-53,670,500.00
1. Appropriation to surplus reserve											—
2. Distribution to shareholders									-53,670,500.00		-53,670,500.00
3. Others											—
(IV) Internal transfer of shareholders' equity		—	—	—	—	—	—	—	—	—	—
1. Capital reserve transferred to share capital		—									—
2. Surplus reserve transferred to share capital		—									—
3. Surplus reserve make up for losses									—		—
4. Changes of defined benefits plan transferred to retained earnings											—
5. Other comprehensive income transferred to retained earnings											—
6. Others											—
(V) Special reserve		—	—	—	—	—	578,842.15	—	—	—	578,842.15
1. Appropriation in the current period							578,842.15				578,842.15
2. Utilized in the current period											—
(VI) Others											—
IV. Closing balance of current period		466,700,000.00	—	68,370,342.51	—	-1,629,142.82	23,178,972.26	43,789,845.52	350,543,015.46	—	950,953,032.93



COMBINED STATEMENT OF CHANGES IN EQUITY

(presented in RMB unless otherwise stated)

January to June 2021 (Audited)											
Shareholders' equity attributable to the parent company											
Item	Note	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Minority interests	Total Shareholders' equity
I. Closing balance of previous year		466,700,000.00	—	68,370,342.51	—	-294,142.82	12,761,083.71	30,719,797.91	278,833,318.17	—	857,090,399.48
Add: Change in accounting policy											—
Correction of accounting errors for prior period											—
Business combination under common control											—
Others											—
II. Opening balance of current year		466,700,000.00	—	68,370,342.51	—	-294,142.82	12,761,083.71	30,719,797.91	278,833,318.17	—	857,090,399.48
III. Changes during the period		—	—	—	—	—	2,253,343.21	—	77,459,899.62	—	79,713,242.83
(I) Total comprehensive income						—			125,529,999.62		125,529,999.62
(II) Shareholders' contribution and capital reduction		—	—	—	—	—	—	—	—	—	—
1. Ordinary Shares contribution by Shareholders											—
2. Capital invested by other equity instrument holders											—
3. Share payment included in Shareholders' equity											—
4. Others											—
(III) Profit appropriation		—	—	—	—	—	—	—	-48,070,100.00	—	-48,070,100.00
1. Appropriation to surplus reserve									—		—
2. Distribution to shareholders									-48,070,100.00		-48,070,100.00
3. Others											—
(IV) Internal transfer of Shareholders' equity		—	—	—	—	—	—	—	—	—	—
1. Capital reserve transferred to share capital		—									—
2. Surplus reserve transferred to share capital		—									—
3. Surplus reserve make up for losses									—		—
4. Changes of defined benefits plan transferred to retained earnings											—
5. Other comprehensive income transferred to retained earnings											—
6. Others											—
(V) Special reserve		—	—	—	—	—	2,253,343.21	—	—	—	2,253,343.21
1. Appropriation in the current period							2,253,343.21				2,253,343.21
2. Utilized in the current period											—
(VI) Others											—
IV. Closing balance of current period		466,700,000.00	—	68,370,342.51	—	-294,142.82	15,014,426.92	30,719,797.91	356,293,217.79	—	936,803,642.31



NOTES TO FINANCIAL STATEMENTS

I. GENERAL INFORMATION OF THE COMPANY

(I) Company Overview

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 (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.



NOTES TO FINANCIAL STATEMENTS

I. GENERAL INFORMATION OF THE COMPANY (Continued)

(III) Scope of Combined Financial Statements

As of 30 June 2022, subsidiaries that were consolidated into the combined financial statements of the Company are as follows:

Name of subsidiary

Changchun City Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限責任公司)
Jilin Province Changre Maintenance Service Company Limited* (吉林省長熱維修實業有限公司)
Jilin Province Changre Pipelines Transmission Company Limited* (吉林省長熱管網輸送有限公司)
Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司)
Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱電氣儀錶有限公司)
Jilin Province Chun Cheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司)
Jilin Province Hengxin Electricity Co. Ltd.* (吉林省恒信售電有限公司)
Jilin Province Hengda New Energy Technology Development Company Limited* (吉林省恒達新能源科技發展有限公司)
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)
Jilin Chun Cheng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司)
Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司)
Jilin Province Northeast Heating Co., Ltd.* (吉林省東北供熱有限公司)

The number of entities that were consolidated into the scope of the combined financial statements has increased by 0 and decreased by 0 during the period as compared with the previous period.



NOTES TO FINANCIAL STATEMENTS

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of Preparation

The financial statements of the Company were prepared on the basis of going concern, based on transactions and matters that actually occurred, and in accordance with the Accounting Standards for Enterprises — Basic Standards published by the Ministry of Finance and specific accounting standards, guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (collectively, the “ASBEs”), and the disclosure requirements of the “Regulations on Information Disclosure and Compilation of Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting” issued by the China Securities Regulatory Commission, the Rules Governing the Listing of Securities issued by the Hong Kong Stock Exchange and the Companies Ordinance.

(II) Going Concern

Pursuant to the Company’s assessment on the continuing operation ability of the Company within 12 months since the end of the Reporting Period, no matters or events that may raise any material doubts on the continuing operation ability of the Company were discovered, thus these financial statements were prepared under going concern basis.

III. DESCRIPTION ON SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Notes to Specific Accounting Policies and Accounting Estimates

The Company have formulated certain specific accounting policies and accounting estimates in accordance with its production and operation characteristics, which were mainly reflected in the valuation method for inventories, the method of provision for expected credit loss on trade receivables, the depreciation of fixed assets and amortization of intangible assets and the timing of revenue recognition.

(II) Statement of Compliance with the ASBEs

The financial statements have been prepared by the Company in conformity with the requirements under the ASBEs; and have truthfully and completely reflected information such as financial position, operating results and cash flow, etc. of the Company during the Reporting Period.

(III) Accounting Period

The accounting year is from 1 January to 31 December in Gregorian calendar year.

(IV) Reporting Currency

The reporting currency of the Company is Renminbi (RMB).



NOTES TO FINANCIAL STATEMENTS

III. DESCRIPTION ON SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(V) Basis of Accounting and Valuation Principles

The Company uses the accrual basis of accounting. The Company generally uses historical cost for the measurement of accounting elements; for cases where other attributes such as replacement cost, net realizable value, present value or fair value are used for measurement in accordance with the standards, the Company will make special note on such circumstances.

(VI) Trade Receivables

The Company separately determines the credit loss for single trade receivable with significant amount and has suffered credit impairment upon initial recognition.

If it is impossible to assess the sufficient evidence of expected credit loss at a reasonable cost at the level of single instrument, the Company makes reference to historical credit loss experience, combines with prevailing condition and the judgment on future economic condition, classifies the trade receivables into several portfolios based on the characteristics of credit risk, and calculates the expected credit losses on a collective basis. The basis for determining the portfolio is as follows:

Portfolio name	Basis for determining the portfolio	Provision method
Ageing analysis portfolio	Trade receivables other than "related party portfolio"	The Company makes reference to historical credit loss experience, combines with prevailing condition and expectation on future economic condition, by using default risk exposure and a lifetime credit loss rate to measure the expected credit loss.
Related party portfolio	Trade receivables from Shareholders and related parties	Makes reference to historical credit loss experience, combines with prevailing condition and expectation on future economic condition to measure the expected credit loss.



NOTES TO FINANCIAL STATEMENTS

III. DESCRIPTION ON SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Income

The main revenue streams of the Company are from the following businesses: heat supply and transmission service, construction and maintenance.

1. General principles of revenue recognition

When the Company has fulfilled the performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services, the revenue is recognized at the transaction price allocated to the performance obligation.

The performance obligation refers to the commitment of the Company to transfer the goods or services that can be clearly distinguished to the customer in the contract.

Obtaining control of related commodities means being able to direct the use of the commodities and obtain almost all economic benefits from them.

The Company evaluates the contract on the contract commencement date, identifies the individual performance obligations contained in the contract, and determines whether the individual performance obligations are performed within a certain period of time or at a certain point in time. If one of the following conditions is met, it is a performance obligation performed within a certain period of time. The Company recognizes revenue within a period of time according to the progress of the performance: (1) The customer simultaneously receives and consumes the economic benefits generated from the Company's performance as the Company performs; (2) The customer has the ability to control the goods under construction during the Company's performance; (3) The goods produced during the performance of the Company have irreplaceable uses, and the Company has the right to receiving payment for the accumulated portion of performance completed to date throughout the contract period. Otherwise, the Company recognizes revenue at the point in time when the customer obtains control of the relevant goods or services.

For the performance obligations performed within a certain period of time, the Company uses the input method to determine the appropriate performance progress based on the nature of the goods and services. The output method is to determine the performance progress based on the value of the commodities that have been transferred to the customer (the input method is to determine the performance progress based on the Company's investment to fulfil the performance obligation). When the performance progress cannot be reasonably determined, if the costs incurred by the Company are expected to be compensated, revenue is recognized according to the amount of costs incurred until the performance progress can be reasonably determined.



NOTES TO FINANCIAL STATEMENTS

III. DESCRIPTION ON SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Income (Continued)

2. Detailed method for revenue recognition

(1) *Provision of heat supply services*

If the customer simultaneously receives and consumes the resources provided by the Company as the Company satisfies its performance obligations for heat supply services, it is a performance obligation satisfied within a certain period of time. Revenue from heat supply services is determined on the basis of the actual heating area and the heat supply price approved by relevant government departments, and is recognised by month over the heat supply period in proportion to the number of heating days as a percentage of the total number of heating days.

(2) *Pipeline connection fee*

The pipeline connection fee is a one-off fee charged by the Company to the customers for the connection of the primary pipeline network for residential customers and is non-refundable. The Company enters into contract with customers and agrees to a heat service period, and income from pipeline connection fee is recognised on a straight-line basis over the customer's beneficial period. The Company has determined the beneficial period to be 16 years.

(3) *Heat transmission services*

Revenue from the provision of heat transmission services, which utilises the heat transmission network of the Company to provide heat transmission services to other heat supply units, is recognised at the point in time when control of heat is transferred to the customer, which is generally when heat is transmitted to the customer.

(4) *Engineering construction and maintenance services*

If the customer is able to control the Company's asset during the performance as the Company satisfies its performance obligation for engineering construction and maintenance services, it is a performance obligation satisfied within a certain period of time, and the Company recognises the revenue based on the progress of performance, which is determined by the proportion of the actual costs incurred to the estimated total cost of accomplishing the construction services.

(5) *Design services*

The design services provided by the Company include design, consultancy and feasibility studies for heating projects. Due to the fact that the products produced in the course of the Company's performance are of irreplaceable use and the Company is entitled to receive payment for the accumulated portion of performance completed to date throughout the contract period, it is a performance obligation satisfied within a certain period of time. The Company recognizes the revenue based on the progress of performance, which is determined by the proportion of the actual costs incurred to the estimated total cost.



NOTES TO FINANCIAL STATEMENTS

III. DESCRIPTION ON SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Income (Continued)

2. Detailed method for revenue recognition (Continued)

(6) *Sale of goods*

Revenue from the sale of goods is recognized at the point in time when the control of the assets is transferred to the customer, generally on delivery of the goods.

IV. DESCRIPTION ON ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND CORRECTION OF SIGNIFICANT ERRORS IN PREVIOUS PERIOD

(I) Changes in Accounting Policies

There were no changes in accounting policies during the Reporting Period.

(II) Changes in Accounting Estimates

There were no changes in accounting estimates during the Reporting Period.

(III) Correction of Significant Errors in Previous Period

No correction of accounting errors in previous period was made by using the retrospective restatement method during the Reporting Period.



NOTES TO FINANCIAL STATEMENTS

V. TAXATION

(I) Main Types of Taxes and Tax Rates

Tax type	Basis of taxation	Tax rate	Remark
Value-added tax ("VAT")	Domestic sales, provision of processing, repair and replacement services; provision of goods; provision of tangible personal property leasing services	13%	
	Provision of construction, real property leasing services; sale of real estate; transfer of land use rights	9%	
	Other taxable sales of services	6%	
City maintenance and construction tax	Simple taxation method	5% or 3%	
	Amount of turnover tax paid	7%	
Education surcharge	Amount of turnover tax payable	3%	
Local education surcharge	Amount of turnover tax payable	2%	
Enterprise income tax	Amount of income tax payable	25%, 20%, 15%	
Property tax	Based on 70% of the original value of property (or rental income)	1.2%	

(II) Preferential Tax

1. VAT

- (1) The Company, Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司) and Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司) were subject to the "Notice on the Renewal of Preferential Policies on VAT, Property Tax and Urban Land Use Tax for Heat Supply Enterprises" (Cai Shui [2019] No. 38) (《關於延續供熱企業增值稅房產稅城鎮土地使用稅優惠政策的通知》財稅[2019]38號) issued by the Ministry of Finance and the State Administration of Taxation, which stated that in order to support residents' heating needs, the policies on VAT, property tax and urban land use tax for heat supply enterprises in the "three north" regions (hereinafter referred to as heat supply enterprises) are as follows: I. Starting from 1 January 2019 to the end of the heating period in 2020, heat supply fee income generated by heat supply enterprises for heat supplied to individual residents (hereinafter referred to as residents) shall be exempted from VAT.

The preferential tax policies stipulated in the Announcement of the Ministry of Finance and the State Administration of Taxation on Extending the Effective Period of Some Preferential Tax Policies (Announcement of the Ministry of Finance and the State Administration of Taxation [2021] No. 6 II) and the Notice of the Ministry of Finance and the State Administration of Taxation on the Renewal of Preferential Policies on VAT, Property Tax and Urban Land Use Tax of Heat Supply Enterprises (Cai Shui [2019] No. 38) were extended to the end of the heat supply period in 2023.



NOTES TO FINANCIAL STATEMENTS

V. TAXATION (Continued)

(III) Preferential Tax (Continued)

1. VAT (Continued)

- (2) Pursuant to the “Announcement on Policies Relating to the Deepening of VAT Reform (Ministry of Finance, State Administration of Taxation, General Administration of Customs Announcement No. 39 of 2019) [《關於深化增值稅改革有關政策的公告》(財政部稅務總局海關總署公告2019年第39號)], from 1 April 2019 to 31 December 2021, a taxpayer in the production or life service industry is allowed to credit the amount of input tax deductible in the current period plus 10% thereof against the amount of taxes payable, and based on the “Notice of the National Bureau of Statistics on the Issuance of the Statistical Classification of Production Service Industry [2019]” (Guo Tong Zi [2019] No. 43) [國家統計局關於印發《生產性服務業統計分類(2019)的通知》(國統字[2019]43號)], Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司) belongs to the production service industry.

2. Income tax

- (1) *Jilin Province Heating Engineering Design and Research Company Limited** (吉林省熱力工程設計研究有限責任公司)

According to Rule II of Article XXVIII of the “Enterprise Income Tax Law” [《企業所得稅法》], Article XCIII of the “Regulation on the Implementation of the Enterprise Income Tax Law” [《中華人民共和國企業所得稅法實施條例》], the “Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Issuing the Administrative Measures for Determination of High and New Tech Enterprises” (Guo Ke Fa Huo [2016] No. 32) [《科技部財政部國家稅務總局關於修訂印發〈高新技術企業認定管理辦法的通知〉(國科發火[2016]32號)], the “Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Printing and Issuing of the Guidelines for the Administration of the Recognition of High-tech Enterprises” (Guo Ke Fa Huo [2016] No. 195) [《科技部財政部國家稅務總局關於修訂印發〈高新技術企業認定管理工作指引〉的通知》(國科發火[2016]195號)], and the “Announcement of the State Administration of Taxation on Issues Relating to the Implementation of Preferential Income Tax Policies for High and New Tech Enterprises” (Announcement of the State Administration of Taxation No. 24 of 2017) [《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》(國家稅務總局公告2017年第24號)], High and New Tech Enterprises are subject to corporate income tax at a tax rate of 15%. Since Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司) has obtained a High and New Tech Enterprise Certificate on 2 September 2019, which is valid for three years, it is eligible for the preferential enterprise income tax policy for High and New Tech Enterprises.



NOTES TO FINANCIAL STATEMENTS

V. TAXATION (Continued)

(III) Preferential Tax (Continued)

2. Income tax (Continued)

(2) *Jilin Province Changre Electrical Apparatus Company Limited** (吉林省長熱電氣儀錶有限公司)

According to Rule II of Article XXVIII of the “Enterprise Income Tax Law” (《企業所得稅法》), Article XCIII of the “Regulation on the Implementation of the Enterprise Income Tax Law” (《中華人民共和國企業所得稅法實施條例》), the “Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Issuing the Administrative Measures for Determination of High and New Tech Enterprises” (Guo Ke Fa Huo [2016] No. 32) (《科技部財政部國家稅務總局關於修訂印發〈高新技術企業認定管理辦法的通知〉(國科發火[2016]32號)), the “Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Printing and Issuing of the Guidelines for the Administration of the Recognition of High-tech Enterprises” (Guo Ke Fa Huo [2016] No. 195) (《科技部財政部國家稅務總局關於修訂印發〈高新技術企業認定管理工作指引〉的通知》(國科發火[2016]195號)), and the “Announcement of the State Administration of Taxation on Issues Relating to the Implementation of Preferential Income Tax Policies for High and New Tech Enterprises” (Announcement of the State Administration of Taxation No. 24 of 2017) (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》(國家稅務總局公告2017年第24號)), High and New Tech Enterprises are subject to corporate income tax at a tax rate of 15%. Since *Jilin Province Changre Electrical Apparatus Company Limited** (吉林省長熱電氣儀錶有限公司) has obtained a High and New Tech Enterprise Certificate on 10 September 2020, which is valid for three years.

(3) *Jilin Province Hengxin Electricity Co. Ltd.** (吉林省恒信售電有限公司)

On April 9, 2021, the Ministry of Finance and State Administration of Taxation jointly released the “Announcement on Implementing the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households” (Announcement of the Ministry of Finance and State Administration of Taxation 2021 No. 12) (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》(財政部稅務總局公告2021年第12號)), stipulating that, for the annual taxable income of a small low-profit enterprise no more than RMB1 million shall be subject to one-half reduced enterprise income tax on the basis of the preferential policies as prescribed in the Article 2 of Cai Shui [2019] No. 13. The comprehensive income tax rate for 2021 was approximately 2.5%. representing that, the effective tax rate of *Jilin Province Hengxin Electricity Co. Ltd.** (吉林省恒信售電有限公司) was 2.5% for January to June 2022.



NOTES TO FINANCIAL STATEMENTS

V. TAXATION (Continued)

(II) Preferential Tax (Continued)

2. Income tax (Continued)

(4) *Jilin Chuncheng Clean Energy Company Limited** (吉林省春城清潔能源有限責任公司)

On April 9, 2021, the Ministry of Finance and State Administration of Taxation jointly released the “Announcement on Implementing the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households” [Announcement of the Ministry of Finance and State Administration of Taxation 2021 No. 12] (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》(財政部稅務總局公告2021年第12號)), stipulating that, for the annual taxable income of a small low-profit enterprise no more than RMB1 million shall be subject to one-half reduced enterprise income tax on the basis of the preferential policies as prescribed in the Article 2 of Cai Shui [2019] No. 13. The comprehensive income tax rate for 2021 was approximately 2.5%. representing that, the effective tax rate of *Jilin Chuncheng Clean Energy Company Limited** (吉林省春城清潔能源有限責任公司) was 2.5% for January to June 2022.

(III) Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Company did not have any income that is subject to Hong Kong profits tax for the period between January to June 2022.

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS

(The following amounts are denominated in RMB unless otherwise stated)

(I) Trade Receivables

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



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(II) Trade Receivables (Continued)

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 of provision (%)	
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 of provision (%)	
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 business	18,470,511.45	5.84	7,180,582.24	38.88	11,289,929.21
Ageing analysis portfolio — Engineering heating fee	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



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(I) Trade Receivables (Continued)

3. Trade receivables subjected to provision for ECL on portfolio basis

(1) Ageing analysis portfolio — Heat supply business

Ageing	30 June 2022 (Unaudited)		
	Carrying balance	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

(2) Ageing analysis portfolio — Basic heating fee

Ageing	30 June 2022 (Unaudited)		
	Carrying balance	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



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(I) Trade Receivables (Continued)

3. Trade receivables subjected to provision for ECL on portfolio basis (Continued)

(3) Ageing analysis portfolio — Engineering business

Ageing	30 June 2022 (Unaudited)		
	Carrying balance	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

(II) Prepayments

Ageing	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	305,119,736.62	99.43	507,371,660.86	99.68
1 to 2 years	203,514.58	0.07	12,704.44	0.01
2 to 3 years			1,553,425.02	0.31
Over 3 years	1,553,425.02	0.50		
Total	306,876,676.22	100.00	508,937,790.32	100.00

(III) Other Receivables

Item	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Interest receivables		
Dividend receivables		
Other receivables	6,692,787.85	6,941,347.08
Total	6,692,787.85	6,941,347.08



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(III) Other Receivables (Continued)

1. Disclosure based on ageing

Ageing	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Within 1 year	7,229,165.20	7,147,782.62
1 to 2 years	263,056.07	106,330.12
2 to 3 years	56,817.92	38,217.92
3 to 4 years	15,000.00	276,083.00
4 to 5 years	261,083.00	175,183.54
Over 5 years	1,580,046.74	1,404,863.20
Sub-total	9,405,168.93	9,148,460.40
Less: Provision for bad debts	2,712,381.08	2,207,113.32
Total	6,692,787.85	6,941,347.08

2. Classification by nature of the amount

Nature of the amount	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Heating fee		
Service fee		
Deposit		
Guarantee	455,000.00	338,083.00
Petty cash	768,089.02	1,339,895.32
Current account payment	7,707,824.59	6,450,139.80
Others	474,255.32	1,020,342.28
Total	9,405,168.93	9,148,460.40

3. Disclosure based on three stages of financial asset impairment

Item	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Carrying balance	Provision for bad debts	Carrying amount	Carrying balance	Provision for bad debts	Carrying amount
Stage 1	8,200,305.73	1,507,517.88	6,692,787.85	7,943,597.20	1,002,250.12	6,941,347.08
Stage 2	1,204,863.20	1,204,863.20		1,204,863.20	1,204,863.20	
Stage 3						
Total	9,405,168.93	2,712,381.08	6,692,787.85	9,148,460.40	2,207,113.32	6,941,347.08



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(III) Other Receivables (Continued)

4. Particulars of provision for bad debts of other receivables

Provision for bad debts	30 June 2022 (Unaudited)			Total
	Stage one 12-months ECL	Stage two Lifetime ECL (not credit impaired)	Stage three Lifetime ECL (credit impaired)	
Opening balance	1,002,250.12		1,204,863.20	2,207,113.32
Opening balance during the current period which:				
— transferred to stage two				
— transferred to stage three				
— reversed to stage two				
— reversed to stage one				
Provision in the current period	505,267.76			505,267.76
Reversal in the current period				
Charge-off in the current period				
Written-off in the current period				
Other changes				
Closing balance	1,507,517.88		1,204,863.20	2,712,381.08
		31 December 2021 (Audited)		
	Stage one	Stage two	Stage three	
	12-months ECL	Lifetime ECL	Lifetime ECL	
		(not credit impaired)	(credit impaired)	
Provision for bad debts				Total
Opening balance	835,452.78		1,204,863.20	2,040,315.98
Opening balance during the current period which:				
— transferred to stage two				
— transferred to stage three				
— reversed to stage two				
— reversed to stage one				
Provision in the current period	166,797.34			166,797.34
Reversal in the current period				
Charge-off in the current period				
Written-off in the current period				
Other changes				
Closing balance	1,002,250.12		1,204,863.20	2,207,113.32



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(IV) Contract Assets

1. Particulars of contract assets

Item	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount
Amounts completed and settled	137,051,974.40	44,258,303.83	92,793,670.57	144,135,217.97	35,091,583.04	109,043,634.93
Quality guarantee deposit	33,726,390.19	14,585,650.23	19,140,739.96	29,993,650.78	5,876,005.39	24,117,645.39
Total	170,778,364.59	58,843,954.06	111,934,410.53	174,128,868.75	40,967,588.43	133,161,280.32

2. Particulars of impairment provision for contract assets during the current period

Item	31 December 2021 (Audited)	Movement during the current period			30 June 2022 (Unaudited)
		Provision	Reversal	Charge-off or write-off	
Quality guarantee deposit	35,091,583.04	9,166,720.79			44,258,303.83
Amounts completed but unsettled	5,876,005.39	8,709,644.84			14,585,650.23
Total	40,967,588.43	17,876,365.63			58,843,954.06

(V) Other Current Assets

Item	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Input tax to be deducted	8,537,132.35	11,634,284.62
Prepaid tax	3,859,328.04	5,598,626.45
Heating expenses		
Others	3,079,449.97	
Total	15,475,910.36	17,232,911.07



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(VI) Changes in Investment Properties, Fixed Assets, Intangible Assets and Other Long-term Assets

During the six months ended 30 June 2022, the Company did not dispose investment properties, fixed assets, intangible assets and other long-term assets.

During the six months ended 30 June 2022, the Company spent approximately RMB2,585.8 thousand (six months ended 30 June 2021: RMB71,743.2 thousand), mainly on construction in progress, machinery and equipment and transportation equipment, and production capacity enhancement.

Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司), a subsidiary of the Company, has accounted for boiler plant, substation plant and office building by their carrying value, with an aggregate carrying value of RMB817.4 thousand as at 30 June 2022, without certificate of title; the land on which the building is located had been expropriated by the government and the nature of the land had been changed to state-owned. As the land on which the building is located cannot be processed for property title, the building cannot obtain a certificate of title.

(VII) Trade Payables

Ageing	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Within 1 year (including the first year)	93,063,691.38	155,862,344.18
1 to 2 years (including the second year)	18,723,094.71	19,211,467.61
2 to 3 years (including the third year)	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



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(VIII) Other Payables

Other payables based on nature of the payments

Nature of the amount	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Quality guarantee deposit	15,996.00	15,996.00
Deposit and guarantee	480,614.00	506,610.00
Current account payment	41,976,026.00	6,199,515.10
Insurance	31,103.03	125,672.81
Utility	2,630,740.42	10,438,919.20
Others	7,026,161.68	143,211.04
Total	52,160,641.13	17,429,924.15

(IX) Non-current Liabilities Due within One Year

Item	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Lease liabilities due within one year	981,380.47	975,251.76
Total	981,380.47	975,251.76

(X) Other Current Liabilities

Item	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Tax to be charged-off	2,789,769.78	1,760.92
Total	2,789,769.78	1,760.92



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XI) Share Capital

Name of investor	31 December 2021 (Audited)		Increase during the current period	Decrease during the current period	30 June 2022 (Unaudited)	
	Amount of investment	Shareholding percentage (%)			Amount of investment	Shareholding percentage (%)
Chuncheng Investment	325,500,000.00	69.75			325,500,000.00	69.75
Changchun State-owned Capital Investment Operation (Group) Co., Ltd.* (長春市國有資本投資運營(集團)有限公司)	24,500,000.00	5.25			24,500,000.00	5.25
Overseas public Shareholders (H Shares Listing in Hong Kong)	116,700,000.00	25.00			116,700,000.00	25.00
Total	466,700,000.00	100.00			466,700,000.00	100.00

(XII) Assets with Restricted Ownership and Right to Use

As of 30 June 2022, the Company did not have assets with restricted ownership and right to use during the current period.

(XIII) 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 of the Company's reportable segments 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.



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XIII) Revenue and Segment Information (Continued)

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



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XIII) Revenue and Segment Information (Continued)

3. 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

(XIV) Operating 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



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XV) 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.

(XVI) 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)	January to June 2021 (Audited)
Total profit	89,714,080.72	170,240,697.61
Income tax expense calculated at statutory/applicable tax rates	22,428,520.18	42,560,174.40
Effect of different tax rates applicable to subsidiaries	124,591.59	-426,957.69
Effect of adjustments to income tax on prior periods	17,620.52	47,990.51
Effect of non-taxable income		-144,832.38
Effect of non-deductible costs, expenses and losses		2,674,323.15
Effect of deductible loss on utilisation of deferred income tax assets that were not recognised in the previous period	-410,756.20	
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	44,710,697.99



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XVII) 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

(XVIII) 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.



NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (Continued)

(XIX) 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.

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Related Party Transactions

The transaction prices of the Company's transactions with related parties are mutually agreed prices, which are consistent with those with non-related parties.

1. For the subsidiaries which are controlled by the Company and consolidated into the combined financial statements, the transactions amongst themselves and those between the parent company and them have been eliminated.



NOTES TO FINANCIAL STATEMENTS

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related Party Transactions (Continued)

2. Continuing related party transactions and related party transactions

(1) Particulars of goods and services transactions

Related party	January to June 2022 (Unaudited)	January to June 2021 (Audited)
Sale of goods		
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	2,054,944.34	2,555,779.92
Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林市公用事業有限公司)		1,703,035.88
Jilin Province Heating Group Panshi Public Utilities Co., Ltd.* (吉林省熱力集團磐石市公用事業有限公司)		546,731.67
Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)		9,023,854.85
Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)		742,360.00
Changre Group Jilin Changtie Public Utilities Co., Ltd.* (長熱集團吉林長鐵公用事業有限公司)		884,708.00
Changchun Longtai Heating Property Co., Ltd.* (長春龍泰供熱物業有限責任公司)	3,531,020.59	2,414,651.42
Changchun Investment and Construction (Group) Co., Ltd.* (長春城投建設投資(集團)有限公司)		47,948.87
Procurement of goods		
Changchun Thermal Power Branch of Jilin Electric Power Co., Ltd.* (吉林電力股份有限公司長春熱電分公司)	85,205,261.24	80,495,503.69
Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司)	10,406,623.93	6,311,369.32
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	87,578,712.70	33,366,271.41
Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限責任公司)	311,839.24	4,287,383.18



NOTES TO FINANCIAL STATEMENTS

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Related Party Transactions (Continued)

2. Continuing related party transactions and related party transactions (Continued)

(1) Particulars of goods and services transactions (Continued)

The transactions with companies under common control as set out in (1) above are transactions under the Continuing Connected Transaction — Products and Services Framework Agreement and constitute continuing connected transactions under Chapter 14A of the Listing Rules.

3. Amounts due from/to related parties

(1) Amounts due from related parties to the Company

Item	Related party	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
		Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Trade receivables					
	Jilin Province Heating Group Meihekou Public Utilities Co., Ltd.* (吉林省熱力集團梅河口市公用事業有限公司)	216,800.00	16,904.43	216,800.00	16,904.43
	Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	4,892,999.00	562,704.80	8,807,398.20	686,734.48
	Changchun Longtai Heating Property Co., Ltd.* (長春龍泰供熱物業有限責任公司)	995,000.00	884,461.50	995,000.00	681,991.71
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	8,177,738.59	756,130.29	17,652,604.04	1,343,099.78
	Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	882,000.00	101,325.67	6,883,850.65	536,750.74
	Inner Mongolia Chuncheng Heating Service Co., Ltd.* (內蒙古春城熱力服務有限公司)	13,800.00	1,587.00		
	Changchun Investment and Construction (Group) Co., Ltd.* (長春城投建設投資(集團)有限公司)	47,036.31	5,208.58	47,036.31	3,727.48
Prepayments					
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)			42,002,832.64	
	Changchun Thermal Power Branch of Jilin Electric Power Co., Ltd.* (吉林電力股份有限公司長春熱電分公司)			101,749,804.50	
Other receivables					
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)			1,027,786.60	43,804.79
	Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林市公用事業有限公司)	15,000.00	15,000.00	15,000.00	15,000.00
	Jilin Province Heating Group Co., Ltd.* (吉林省熱力集團有限公司)			401.30	17.10
Contract assets					
	Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	2,568,821.45	295,416.22	5,941,997.75	651,872.17
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	5,017,373.30	1,359,384.20	5,017,373.30	391,216.92
	Changchun Investment and Construction (Group) Co., Ltd.* (長春城投建設投資(集團)有限公司)	4,798,685.19	551,858.52	4,798,685.19	1,168,235.02
	Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	213,720.20	58,823.86	1,570,519.40	401,961.98



NOTES TO FINANCIAL STATEMENTS

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Related Party Transactions (Continued)

3. Amounts due from/to related parties (Continued)

(2) Amounts due to related parties from the Company

Item	Related party	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Trade payables			
	Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限責任公司)	7,148,844.53	14,239,879.66
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	6,182,206.82	5,909,415.75
	Jilin Province Smart Equipment Co., Ltd.* (吉林省智能裝備有限責任公司)	1,799,947.08	2,369,467.08
Other payables			
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	5,873,616.09	5,673,616.09
Contract liabilities			
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	8,707,699.95	13,139,612.91
	Changchun Longtai Heating Property Co., Ltd.* (長春龍泰供熱物業有限責任公司)		13,464,554.16



NOTES TO FINANCIAL STATEMENTS

VII. SHARE-BASED PAYMENT

There was no share-based payment during the Reporting Period.

VIII. DESCRIPTION ON CONTINGENCIES

(I) Contingent Liabilities

As at 30 June 2022, the Company did not have any discloseable material contingent liabilities.

(II) Contingent Assets

As at 30 June 2022, the Company has no contingent assets that need to be accounted for.

Jilin Province Chuncheng Heating Company Limited

26 August 2022



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 report, excludes Hong Kong, the Macau Special Administrative Region of the PRC 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
“Corporate Governance”	the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic ordinary share(s) in the Company’s registered capital 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 issued ordinary share(s) 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 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



DEFINITIONS

“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
“Reporting Period”	the period ended 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
“Supervisor(s)”	the supervisor(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 Co., Ltd.* (長春亞泰熱力有限責任公司), a wholly-owned subsidiary of the Company
“%”	percent
“*”	for identification purpose only