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Jilin Province Chuncheng Heating Company Limited*

吉林省春城熱力股份有限公司

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

(Stock code: 1853)

INSIDE INFORMATION

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

In connection with the proposed public offering of not more than 155.5666 million A Shares and the proposed listing of the A shares on the Shenzhen Stock Exchange (the “**A Share Listing**”), Da Hua Certified Public Accountants (Special General Partnership), the auditor of the Company (the “**Auditor**”), has conducted an audit on the Group’s combined financial statements (the “**Reporting Combined Financial Statements**”) for the three financial years ended 31 December 2020 and the six months ended 30 June 2021 (the “**Reporting Period**”) prepared in accordance with the China Accounting Standards for Business Enterprises (the “**CASBEs**”).

Certain differences exist between the Reporting Combined Financial Statements and the previously published combined financial statements of the Company (the “**Original Combined Financial Statements**”), including:

- (1) Adjustments for differences in the application of accounting standards: Between year 2018 and year 2019, the Company’s profit distributions were appropriated to special reserve – production safety expense in accordance with the International Accounting Standards. Such appropriation requirement was different from the CASBEs, which required that the production safety expense should be charged to operating costs. Of which: the difference in amount for 2018 was RMB3,803,751.95 and the difference in amount for 2019 was RMB1,343,624.52;

- (2) Adjustments for reclassification of accounting items: Reclassifications were applied to certain accounting items in the Reporting Combined Financial Statements. Such adjustments for the reclassification of accounting items have no impact on the owners' equity, income and profit of the Group for the Reporting Period;
- (3) Correction of accounting errors: A total of 21 accounting errors (collectively, the "Accounting Errors") have resulted in differences between the Reporting Combined Financial Statements and the Original Combined Financial Statements, details of which are set out in the appendix to this announcement.

The following table sets out the differences between the Company's Original Combined Financial Statements and the Reporting Combined Financial Statements as a result of the above adjustments:

Unit: RMB ten thousand

Item	30 June 2021 (January to June 2021)			31 December 2020 (Year 2020)			31 December 2019 (Year 2019)			31 December 2018 (Year 2018)		
	Original Combined Financial Statements (Note 1)	Reporting Combined Financial Statements	Difference	Original Combined Financial Statements (Note 2)	Reporting Combined Financial Statements	Difference	Original Combined Financial Statements (Note 2)	Reporting Combined Financial Statements	Difference	Original Combined Financial Statements (Note 3)	Reporting Combined Financial Statements	Difference
Total assets	195,275	196,199	924	323,037	322,711	-326	342,444	324,311	-18,133	221,626	222,793	1,167
Total liabilities	100,297	102,518	2,221	235,222	237,001	1,779	216,002	214,748	-1,254	171,394	173,645	2,251
Net assets attributable to Chuncheng Company	94,978	93,681	-1,297	87,815	85,710	-2,105	126,442	109,563	-16,879	50,232	49,148	-1,084
Total profit	15,696	17,024	1,328	20,444	20,764	320	18,030	18,302	272	13,928	12,014	-1,914
Net profit	11,745	12,553	808	16,522	17,051	529	13,397	13,505	108	10,267	8,795	-1,472

Notes:

- (1) The data is extracted from the Company's interim report for the six months ended 30 June 2021 published on 16 September 2021.
- (2) The data is extracted from the Company's annual report for the year ended 31 December 2020 published on 26 April 2021.
- (3) Figures from the Original Combined Financial Statements of the Group for year 2018 were prepared in accordance with the CASBEs. Therefore, it may differ from the figures prepared in accordance with the International Financial Reporting Standards as disclosed in the prospectus of the Company dated 27 September 2019.

The board of directors of the Company is of the view that the above adjustments are appropriate and will improve the quality of the Company's accounting information and truly and fairly reflect the Company's financial position. The Auditor also considers that the above adjustments and corrections are in compliance with the requirements of the CASBEs issued by the State; the above differences are adjusted based on the audit adjustments made during the A Share Listing process, do not have material impact on the Company's financial position and operating results during the Reporting Period and do not affect the type of audit opinion previously issued.

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

Jilin, the PRC, 13 December 2021

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

* *For identification purpose only*

APPENDIX – EXPLANATION ON ACCOUNTING ERRORS AND CORRECTIONS

Notes:

- (1) The amounts set out in this explanation are denominated in Renminbi.
- (2) In case of any inconsistency between the English and Chinese version, the Chinese version shall prevail.

There are a total of 21 differences between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 which are related to accounting errors, including:

(i) Trade Receivables

The differences in trade receivables between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 were RMB177,696.47, -RMB7,621,121.80, -RMB2,941,729.38 and -RMB3,875,339.72, respectively. Adjustments due to accounting errors mainly include:

1. The provision for impairment on trade receivables of 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) (hereinafter referred to as “**Engineering Design Co.**”) and Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱儀錶電氣有限公司) (hereinafter referred to as “**Changre Apparatus Co.**”), both being subsidiaries of the Company, were adjusted during the Reporting Period due to errors in ageing classification;
2. The Company made further provision for credit impairment loss of related parties which are outside the scope of combination during the Reporting Period, which affected the net trade receivables.

(ii) Trade Receivables Financing

The difference in trade receivables financing between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021 was RMB8,650,654.17. Adjustments due to accounting errors mainly include:

1. The provision for expected credit loss on trade receivables financing of Jilin Province Changre Maintenance Service Company Limited* (吉林省長熱維修實業有限公司) (hereinafter referred to as “**Maintenance Service Co.**”), a subsidiary of the Company, was adjusted due to errors in ageing classification, pursuant to which credit impairment loss was decreased and trade receivables financing was increased by RMB8,650,654.17.

(iii) Other Receivables

The differences in other receivables between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 were -RMB380,534.51, -RMB22,425.01, -RMB1,976,741.23 and RMB17,934,045.69, respectively. Adjustments due to accounting errors mainly include:

1. Chuncheng Company has adjusted its listing service fees recognised, pursuant to which other receivables as at 30 June 2021 were reduced by RMB400,000.00;
2. Pipelines Transmission Co., a subsidiary of the Company, originally had other receivables – Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司) (hereinafter referred to as “**Chuncheng Investment Development Group**”), which was offset against the current account payments under other payables to the Company. Adjustments were made to increase other receivables – Chuncheng Investment Development Group and other payables – the Company as at 31 December 2018 by RMB22,050,000.00;
3. Chuncheng Company and its subsidiary(ies) made further provision for credit impairment loss of related parties which are outside the scope of combination during the Reporting Period, which affected the net other receivables.

(iv) Contract Assets

The differences in contract assets between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 were -RMB5,168,372.31, -RMB1,822,996.55, -RMB6,245,834.12 and -RMB7,346,402.44, respectively. Adjustments due to accounting errors mainly include:

1. Runfeng Installation Co., a subsidiary of the Company, has adjusted its revenue generated from engineering construction, pursuant to which contract assets was reduced by RMB2,227,915.09;
2. The Company made further provision for contract assets impairment of related parties which are outside the scope of combination during the Reporting Period, which affected the net contract assets.

(v) Fixed Assets

The differences in fixed assets between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020 and 31 December 2019 were -RMB1,727,422.34, -RMB1,835,676.84 and -RMB155,117,532.39, respectively. Adjustments due to accounting errors mainly include:

1. During the end of 2020, the Company acquired Changchun Yatai Heating Company Limited* (長春亞泰熱力有限責任公司) (hereinafter referred to as “**Yatai Heating**”), an original subsidiary of Chuncheng Investment Development Group (which is in turn the parent of the Company), through business combination under common control, and the opening figures for 2020 were adjusted in accordance with standards requirements. On 31 May 2020, Yatai Heating transferred physical assets such as land assets, buildings, boilers and equipment and inventories, etc. that are related to coal-fired furnaces, as well as debts and liabilities associated with them, to Chuncheng Investment Development Group at nil consideration, and recorded the amount of assets less liabilities as a capital reduction from Chuncheng Investment Development Group to Yatai Heating. The above divested assets (business) were not deemed to have been divested to Chuncheng Investment Development Group at the beginning of 2020 for the purpose of year-on-year adjustments to the opening figures of the original 2020 financial statements. Adjustments were made to the Reporting Combined Financial Statements by the Company, pursuant to which the fair value of fixed assets (at the combined financial statements level) was reduced by RMB154,374,494.42, the fair value of intangible assets was reduced by RMB13,220,075.06, inventory was reduced by RMB760,673.62, other receivables was reduced by RMB17,670.00, deferred income tax assets was reduced by RMB2,306,767.90, deferred income tax liabilities was reduced by RMB10,050,309.64 and capital reserve was reduced by RMB159,814,263.41 as at the end of 2019.

(vi) Right-of-use Assets

The differences in right-of-use assets between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 were RMB1,091,060.45, RMB1,538,612.53, RMB587,614.65 and RMB931,395.03, respectively. Adjustments due to accounting errors mainly include:

1. Chuncheng Company and its subsidiary(ies) recognised the right-of-use assets during the Reporting Period in accordance with the standard on leases.

(vii) Deferred Income Tax Assets

The differences in deferred income tax assets between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 were RMB4,718,520.55, RMB6,620,318.01, -RMB61,478.37 and RMB3,814,469.49, respectively. Adjustments due to accounting errors mainly include:

1. In year 2020, Chuncheng Company recognised deferred income tax assets for permanent differences in deferred revenue transferred in 2018 and adjustments were made. Deferred income tax assets as at 31 December 2020 were reduced by RMB2,649,107.28;
2. Yatai Heating, a subsidiary of the Company, adjusted the fair value of fixed assets and intangible assets at the combined financial statements level, pursuant to which the deferred income tax assets as at 31 December 2019 was reduced by RMB2,627,077.02;
3. Yatai Heating, a subsidiary of the Company, further recognised deferred income tax assets in relation to government grants, pursuant to which deferred income tax assets was increased by RMB2,923,804.72; and further recognised deferred income tax assets for temporary differences in long-term salaries payable of RMB3,477,500.00 as at 31 December 2020. Adjustments were also made to the combined financial statements for 30 June 2021;
4. Maintenance Service Co., a subsidiary of the Company, incurred an error in the provision for impairment of trade receivables financing as at 30 June 2021, pursuant to which the carrying amount and taxable base were increased by RMB8,650,654.17 and the deferred income tax assets were reduced by RMB2,162,663.54;
5. The deductible losses recognised as deferred income tax assets for Runfeng Construction Co., a subsidiary of the Company, as at 30 June 2021 was RMB2,753,986.47;
6. The Company made further provision for expected credit loss of related parties which are outside the scope of combination during the Reporting Period, which resulted in adjustments to deferred income tax assets during the Reporting Period.

(viii) Tax Payable, Capital Reserve and Deferred Income Tax Liabilities

The differences in tax payable between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 were RMB6,377,749.97, RMB3,696,254.31, RMB254,677.62 and -RMB87,768.92, respectively; and the differences in capital reserve as at 30 June 2021, 31 December 2020 and 31 December 2019 were -RMB18,169,773.95, -RMB18,169,773.95 and -RMB159,814,263.41, respectively; and the differences in deferred income tax liabilities as at 30 June 2021, 31 December 2020 and 31 December 2019 were RMB14,175,353.18, RMB15,480,669.00 and -RMB10,370,618.76, respectively. Adjustments due to accounting errors mainly include:

1. Research and development expenses made by Yatai Heating, a subsidiary of the Company, in 2020 did not meet the relevant High and New Tech Enterprise accreditation standards and its income tax rate was adjusted from the original 15% to 25%, pursuant to which an adjustment was made to the applicable income tax, together with adjustments made to the combined financial statements for 30 June 2021 which increased deferred income tax assets by RMB633,411.46, increased tax payable by RMB10,685,453.49, increased deferred income tax liabilities by RMB14,175,353.18, decreased capital reserve by RMB18,169,773.95 and increased income tax expense by RMB4,785,891.14; adjustments were made to the combined financial statements for 31 December 2020 which increased tax payable and income tax expense by RMB4,546,797.00;
2. Runfeng Installation Co., a subsidiary of the Company, has adjusted its tax payable as at 31 December 2020, 31 December 2019 and 31 December 2018 by -RMB870,011.27, RMB236,591.06 and -RMB94,253.69 due to reasons such as adjustments to credit impairment loss; due to the adjustments to income, the tax payable as at 30 June 2021 increased by RMB69,760.95;
3. Adjustments to deferred income tax liabilities are set out in paragraph 1 of note (v) in this explanation.

(ix) Other payables

The differences in other payables between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 were -RMB13,941,437.58, RMB119,924,276.13, -RMB15,246,852.72 and -RMB19,035,623.67, respectively. Adjustments due to accounting errors mainly include:

1. Adjustments were made to the environmental subsidies in relation to the divested assets under the deferred income of Yatai Heating, a subsidiary of the Company, and the subsidy for the newly built 72WM boiler project of Fuhao Co. in 2014 as the corresponding boiler assets have been divested to

Chuncheng Investment Development Group and the subsidiaries will also be transferred to Chuncheng Investment Development Group. Deferred income as at 31 December 2019 was reduced by RMB10,019,482.67 and other payables was increased by RMB10,019,482.67;

2. Pipelines Transmission Co., a subsidiary of the Company, increased its other payables as at 31 December 2018 by RMB22,050,000.00.

(x) Lease Liabilities

The differences in lease liabilities between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 were RMB613,686.24, RMB1,142,986.18, RMB255,681.30 and RMB858,828.08, respectively. Adjustments due to accounting errors mainly include:

1. Runfeng Installation Co., Maintenance Service Co. and Engineering Design Co., all being subsidiaries of the Company, have re-recognised lease liabilities pursuant to the respective lease contracts.

(xi) Deferred Income

The differences in deferred income between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 were -RMB2,320,624.69, -RMB2,320,624.69, RMB10,123,333.33 and RMB1,793,334.75, respectively. Adjustments due to accounting errors mainly include:

1. Revenue-related job stabilisation subsidy of Yatai Heating, a subsidiary of the Company, in 2020 was adjusted to other income, pursuant to which deferred income was reduced by RMB2,320,624.69;
2. Please refer to paragraph 1 of note (ix) in this explanation, under which deferred income was reduced by RMB10,019,482.67.

(xii) Other Comprehensive Income

The differences between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020, 31 December 2019 and 31 December 2018 were RMB324,714.28, RMB324,714.28, -RMB475,811.52 and RMB90,296.23, respectively. Adjustments due to accounting errors mainly include:

1. The Company adjusted the income tax effect portion of other comprehensive income recognised in respect of actuarial profits and losses on employee remuneration during the Reporting Period, pursuant to which other comprehensive income was increased.

(xiii) Special Reserve

The differences in special reserve between the Reporting Combined Financial Statements and the Original Combined Financial Statements for 30 June 2021, 31 December 2020 and 31 December 2019 were RMB4,615,112.71, RMB4,615,172.60 and RMB4,615,172.60, respectively. Adjustments due to accounting errors mainly include:

1. The Company adjusted the amount of special reserve by RMB4,615,172.60 during the Reporting Period due to combination and offsetting.

(xiv) Operating Income

The differences in operating income between the Reporting Combined Financial Statements and the Original Combined Financial Statements for January to June 2021, year 2020 and year 2019 were -RMB2,904,548.10, RMB38,600.00 and -RMB38,600.00, respectively. Adjustments due to accounting errors mainly include:

1. Runfeng Installation Co., a subsidiary of the Company, reduced its revenue generated from engineering construction for the first half of 2021.

(xv) Operating Costs

The differences in operating costs between the Reporting Combined Financial Statements and the Original Combined Financial Statements for January to June 2021, year 2020, year 2019 and year 2018 were RMB1,754,728.63, RMB11,517.16, RMB1,674,160.38 and -RMB1,556,572.83, respectively. Adjustments due to accounting errors mainly include:

1. Biomass Power Co., a subsidiary of the Company, has not yet commenced operation and has not realised any revenue, as such, depreciation expense was adjusted from operating costs to administrative expenses, pursuant to which operating costs was reduced and administrative expenses was increased by RMB621,215.39 for January to June 2021; operating costs was reduced and administrative expenses was increased by RMB1,162,049.56 for year 2020;
2. Depreciation on fixed assets of Yatai Heating, a subsidiary of the Company, was over provided, pursuant to which operating costs for year 2020 was reduced by RMB418,163.36.

(xvi) Finance Costs

The differences in finance costs between the Reporting Combined Financial Statements and the Original Combined Financial Statements for January to June 2021, year 2020, year 2019 and year 2018 were RMB402,260.58, -RMB212,127.82, -RMB1,849.83 and RMB46,292.33, respectively. Adjustments due to accounting errors mainly include:

1. The Company recognised lease liabilities during the Reporting Period, pursuant to which finance costs – unrecognised finance charge was increased;
2. In February 2021, Chuncheng Company recognised a gain on maturity of held-for-trading financial assets (structured deposits), pursuant to which investment income was increased by RMB296,104.45 and finance costs was reduced.

(xvii) Other Income

The differences in other income between the Reporting Combined Financial Statements and the Original Combined Financial Statements for January to June 2021 and year 2020 were RMB622,357.63 and RMB11,648,318.59, respectively. Adjustments due to accounting errors mainly include:

1. Unamortised portion of the job stabilisation subsidy of Yatai Heating, a subsidiary of the Company, for 2020 was adjusted to other income, pursuant to which deferred income was reduced by RMB2,320,624.69 and other income was increased by RMB2,320,624.69.

(xviii) Credit Impairment Loss

The differences in credit impairment loss between the Reporting Combined Financial Statements and the Original Combined Financial Statements for January to June 2021, year 2020, year 2019 and year 2018 were RMB13,994,361.25, RMB6,171,254.56, -RMB407,065.91 and -RMB5,359,973.32, respectively. Adjustments due to accounting errors mainly include:

1. Effect of adjustments as stated in paragraph 1 of note (ii) in this explanation;
2. Further provision for bad debts or impairment of related parties which are outside the scope of combination.

(xix) Impairment Loss on Assets

The differences in impairment loss on assets between the Reporting Combined Financial Statements and the Original Combined Financial Statements for January to June 2021, year 2020, year 2019 and year 2018 were RMB2,053,790.30, -RMB4,529,763.19, RMB4,636,727.34 and -RMB10,379,722.83, respectively. Adjustments due to accounting errors mainly include:

1. Runfeng Installation Co. and Maintenance Service Co., both being subsidiaries of the Company, made further provision for bad debts on contract assets of related parties outside the scope of combination, pursuant to which impairment loss on assets was reduced by RMB4,751,139.63 in 2021;

2. Effect of adjustments to the impairment provision of related parties which are outside the scope of combination by each company was RMB1,100,568.32 for year 2019 and -RMB7,346,402.44 for year 2018.

(xx) Income Tax Expenses

The differences in income tax expenses between the Reporting Combined Financial Statements and the Original Combined Financial Statements for January to June 2021, year 2020, year 2019 and year 2018 were RMB5,205,027.62, -RMB2,083,558.46, RMB1,631,478.86 and -RMB4,419,623.10, respectively. Adjustments due to accounting errors mainly include:

1. Chuncheng Company and its subsidiary(ies) made further provision for impairment of related parties which are outside the scope of combination, which resulted in adjustments to income tax expenses for each period in the Reporting Period;
2. Chuncheng Company and its subsidiary(ies) adjusted the effect of income tax expenses arose from changes in adjustment of deferred income tax assets and deferred income tax liabilities.

(xxi) Investment income

The differences in investment income between the Reporting Combined Financial Statements and the Original Combined Financial Statements for January to June 2021 and year 2020 were RMB296,104.45 and -RMB2,842,420.70, respectively. Adjustments due to accounting errors mainly include:

1. In February 2021, Chuncheng Company recognised a gain on maturity of held-for-trading financial assets (structured deposits), pursuant to which investment income was increased by RMB296,104.45 and finance costs was reduced;
2. Yatai Heating, a subsidiary of the Company, adjusted the income of securitised financial assets presented for the current period, pursuant to which investment income for year 2020 was increased by RMB2,665,407.00 and gain on changes in fair value was decreased by RMB2,665,407.00.