

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



## **Jilin Province Chuncheng Heating Company Limited\***

**吉林省春城熱力股份有限公司**

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

**(Stock Code: 1853)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **FINANCIAL HIGHLIGHTS FOR THE 2022 RESULTS ANNOUNCEMENT**

- The revenue for the year ended 31 December 2022 was RMB1,654.71 million, representing an increase of 0.31% over the comparative figure of 2021.
- The profit before tax for the year ended 31 December 2022 was RMB165.64 million, representing a decrease of 0.86% over the comparative figure of 2021.
- The net profit attributable to equity holders of the Company for the year ended 31 December 2022 was RMB114.67 million, representing a decrease of 6.59% over the comparative figure of 2021.
- Earnings per Share for the year ended 31 December 2022 was RMB0.25, representing a decrease of RMB0.01 over the comparative figure of 2021.
- The Board proposed the distribution of a final dividend of RMB0.09 per Share (tax inclusive) for the year ended 31 December 2022.

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021. The results were prepared in accordance with the disclosure requirements under the ASBEs.

## FINANCIAL INFORMATION

(All amounts in RMB unless otherwise stated)

### COMBINED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31 December 2022	31 December 2021
<b>CURRENT ASSETS:</b>			
Monetary fund		<b>1,034,436,102.05</b>	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	6	<b>139,825,918.08</b>	223,060,999.01
Trade receivables financing		—	—
Prepayments		<b>587,425,208.07</b>	508,937,790.32
Other receivables		<b>17,686,677.50</b>	6,941,347.08
Inventories		<b>7,487,869.38</b>	30,384,096.14
Contract assets	7	<b>89,363,130.11</b>	133,161,280.32
Assets held for sale		—	—
Non-current assets due within one year		—	—
Other current assets		<b>17,263,647.13</b>	17,232,911.07
<b>TOTAL CURRENT ASSETS</b>		<b><u>1,893,488,552.32</u></b>	<b><u>1,584,025,122.09</u></b>

<b>ASSETS</b>	<i>Notes</i>	<b>31 December 2022</b>	31 December 2021 (Restated)
<b>NON-CURRENT ASSETS:</b>			
Available-for-sale financial assets		—	—
Held-to-maturity investments		—	—
Debt investments		—	—
Other debt investments		—	—
Long-term receivables		—	—
Long-term equity investments		—	—
Other equity instrument investments		—	—
Other non-current financial assets		—	—
Investment properties		<b>26,982.27</b>	7,513,710.41
Fixed assets		<b>984,808,829.76</b>	1,045,874,487.44
Construction-in-progress		<b>16,637,053.27</b>	14,321,966.26
Biological assets		—	—
Oil and gas assets		—	—
Right-of-use assets		<b>708,603.37</b>	1,650,591.05
Intangible assets		<b>14,687,456.32</b>	14,962,280.55
Development costs		—	—
Goodwill		<b>74,847,680.43</b>	74,847,680.43
Long-term deferred expenditures		<b>508,668.09</b>	1,356,755.20
Deferred income tax assets		<b>53,261,130.98</b>	57,623,801.03
Other non-current assets		—	—
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>1,145,486,404.49</u></b>	<b><u>1,218,151,272.37</u></b>
<b>TOTAL ASSETS</b>		<b><u>3,038,974,956.81</u></b>	<b><u>2,802,176,394.46</u></b>

<b>LIABILITIES AND EQUITY</b>	<i>Notes</i>	<b>31 December 2022</b>	31 December 2021
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings		<b>234,000,000.00</b>	—
Financial liabilities measured at fair value			
through profit or loss		—	—
Held-for-trading financial liabilities		—	—
Derivative financial liabilities		—	—
Bills payable		—	—
Trade payables	8	<b>199,672,999.06</b>	232,178,489.39
Advances		—	100,000.00
Contract liabilities	9	<b>1,410,922,916.32</b>	1,411,336,830.54
Salaries payable		<b>103,693,668.18</b>	116,033,845.98
Tax payable		<b>37,339,588.27</b>	43,412,130.75
Other payables		<b>21,365,983.70</b>	17,429,924.15
Liabilities held for sale		—	—
Non-current liabilities due within one year		<b>476,190.47</b>	975,251.76
Other current liabilities		<b>17,836.40</b>	1,760.92
		<b><u>2,007,489,182.40</u></b>	<b><u>1,821,468,233.49</u></b>
<b>TOTAL CURRENT LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES:</b>			
Long-term borrowings		—	—
Bonds payable		—	—
Of which: Preference shares		—	—
Perpetual bonds		—	—
Lease liabilities		—	476,190.47
Long-term payables		<b>2,775,074.00</b>	2,775,074.00
Long-term salaries payable		<b>29,559,928.24</b>	28,834,324.48
Estimated liabilities		—	350,000.00
Deferred income		<b>44,188,783.40</b>	48,604,047.04
Deferred income tax liabilities		<b>41,263,242.91</b>	49,166,204.34
Other non-current liabilities		<b>1,797,307.74</b>	2,484,653.05
		<b><u>119,584,336.29</u></b>	<b><u>132,690,493.38</u></b>
<b>TOTAL NON-CURRENT LIABILITIES</b>			
		<b><u>2,127,073,518.69</u></b>	<b><u>1,954,158,726.87</u></b>
<b>TOTAL LIABILITIES</b>			

<b>LIABILITIES AND EQUITY</b>	<i>Notes</i>	<b>31 December 2022</b>	31 December 2021 (Restated)
<b>EQUITY:</b>			
Share capital		<b>466,700,000.00</b>	466,700,000.00
Other equity instruments		—	—
Of which: Preference shares		—	—
Perpetual bonds		—	—
Capital reserve		—	—
Less: Treasury stock		—	—
Other comprehensive income		<b>(1,786,642.82)</b>	(1,629,142.82)
Special reserves		<b>25,643,923.18</b>	22,600,130.11
Surplus reserve		<b>29,831,863.56</b>	19,895,513.09
Undistributed profits		<b><u>391,512,294.20</u></b>	<u>340,451,167.21</u>
 Total owners' equity attributable to the parent company		 <b><u>911,901,438.12</u></b>	 <u>848,017,667.59</u>
 Minority interests		 <u>—</u>	 <u>—</u>
 <b>TOTAL EQUITY</b>		 <b><u><u>911,901,438.12</u></u></b>	 <u><u>848,017,667.59</u></u>
 <b>TOTAL LIABILITIES AND TOTAL EQUITY</b>		 <b><u><u>3,038,974,956.81</u></u></b>	 <u><u>2,802,176,394.46</u></u>

## COMBINED INCOME STATEMENT

Item	Notes	2022	2021
<b>I. TOTAL OPERATING INCOME</b>	5, 10	<b>1,654,705,152.68</b>	1,649,598,271.19
Less: Operating costs	10	<b>1,424,056,759.56</b>	1,324,281,691.80
Taxes and surcharges		<b>4,460,519.44</b>	4,625,554.34
Selling expenses		<b>1,735,600.28</b>	1,740,127.00
Administrative expenses		<b>99,230,886.70</b>	114,967,206.26
Research and development expenses		<b>1,974,740.89</b>	2,064,373.18
Finance costs		<b>(13,484,950.49)</b>	(1,193,946.47)
Of which: Interest expenses		<b>9,941,875.67</b>	10,453,276.18
Interest income		<b>21,389,734.42</b>	12,923,039.47
Add: Other income		<b>11,933,281.37</b>	7,100,071.92
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		<b>32,935,049.77</b>	(30,066,857.34)
Impairment loss on assets		<b>(17,095,441.97)</b>	(22,594,470.82)
Gain on disposal of assets		<b>13,021.19</b>	5,951,536.93
<b>II. OPERATING PROFIT</b>		<b>164,517,506.66</b>	164,026,733.55
Add: Non-operating income		<b>1,435,727.08</b>	4,600,246.69
Less: Non-operating expenses		<b>308,250.32</b>	1,543,292.67
<b>III. TOTAL PROFIT</b>		<b>165,644,983.42</b>	167,083,687.57
Less: Income tax expenses	11	<b>50,977,005.96</b>	44,325,690.92

Item	<i>Notes</i>	2022	2021
<b>IV. NET PROFIT</b>		<u><b>114,667,977.46</b></u>	<u>122,757,996.65</u>
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		<b>114,667,977.46</b>	122,757,996.65
Net profit from discontinued operation		—	—
(II) Classified by ownership:			
Net profit attributable to owners of the parent company		<b>114,667,977.46</b>	122,757,996.65
Minority interests		—	—
<b>V. OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		<u><b>(157,500.00)</b></u>	<u>(1,335,000.00)</u>
Other comprehensive income attributable to owners of the parent company, net of tax		<u><b>(157,500.00)</b></u>	<u>(1,335,000.00)</u>
(I) Other comprehensive income that may not be reclassified to profit or loss		<u><b>(157,500.00)</b></u>	<u>(1,335,000.00)</u>
1. Net changes from re-measurement of defined benefit plans		<b>(157,500.00)</b>	(1,335,000.00)
2. Other comprehensive income that may not be transferred to profit or loss under the equity method		—	—
3. Changes in fair value of other equity instrument investments		—	—
4. Changes in fair value of the company's own credit risk		—	—
5. Others		—	—

<b>Item</b>	<i>Notes</i>	<b>2022</b>	2021
(II) Other comprehensive income that may be reclassified to profit or loss		<u>—</u>	<u>—</u>
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		—	—
Other comprehensive income attributable to minority shareholders, net of tax		<u>—</u>	<u>—</u>
<b>VI. TOTAL COMPREHENSIVE INCOME</b>		<b><u>114,510,477.46</u></b>	<b><u>121,422,996.65</u></b>
Total comprehensive income attributable to owners of the parent company		<b>114,510,477.46</b>	121,422,996.65
Total comprehensive income attributable minority shareholders		—	—
<b>VII. EARNINGS PER SHARE:</b>			
(I) Basic earnings per share	<i>12</i>	<b>0.25</b>	0.26
(II) Diluted earnings per share		<b>0.25</b>	0.26

## NOTES OF FINANCIAL INFORMATION

### 1. CORPORATE AND GROUP INFORMATION

Jilin Province Chuncheng Heating Company Limited (the “Company”), formerly known as “Jilin Province Changre New Energy Co., Ltd.” or “Jilin Province Chuncheng Heating Limited Liability Company”, is a joint stock company with limited liability established in the People’s Republic of China (the “PRC”) on 23 October 2017. The registered office of the Company is located at No. 28, Block B (Hongcheng Xiyu), Nanhu Road Community, No. 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province.

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

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

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

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

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

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

### 3. GOING CONCERN

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

#### 4. ACCOUNTING ERRORS IN PREVIOUS PERIOD

<b>Content of corrections for accounting errors</b>	<b>Procedures of handling</b>	<b>Name of statement items for each comparative period affected</b>	<b>Cumulative effect</b>
Adjustment to consolidated goodwill corresponding to the transfer of boilers and other assets from Yatai Heating with nil consideration	Approved by the Board of the Company	Goodwill Capital reserve Surplus reserve	(92,264,674.94) (68,370,342.51) (23,894,332.43)

#### 5. OPERATING SEGMENT INFORMATION

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

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

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

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

*Unit: RMB*

<b>Year ended 31 December 2022</b>	<b>Heat supply</b>	<b>Construction, maintenance and design services and others</b>	<b>Total</b>
<b>Segment revenue</b>	1,544,773,639.68	206,751,114.66	1,751,524,754.34
Sales to external customers	1,538,419,575.87	116,285,576.81	1,654,705,152.68
Intersegment sales	<u>6,354,063.81</u>	<u>90,465,537.85</u>	<u>96,819,601.66</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(96,819,601.66)</u>
			<u><u>1,654,705,152.68</u></u>

Year ended 31 December 2021	Heat supply	Construction, maintenance and design services and others	Total
<b>Segment revenue</b>	1,503,069,365.91	242,484,722.26	1,745,554,138.17
Sales to external customers	1,497,035,692.61	152,562,578.58	1,649,598,271.19
Intersegment sales	<u>6,033,673.30</u>	<u>89,922,193.68</u>	<u>95,955,866.98</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(95,955,866.98)</u>
			<u><u>1,649,598,271.19</u></u>

## 6. TRADE RECEIVABLES

Unit: RMB

Ageing	2022	2021
Within 1 year	<b>107,633,751.13</b>	132,043,172.92
1–2 years	<b>30,085,813.21</b>	122,066,008.36
2–3 years	<b>14,284,030.74</b>	41,783,027.54
3–4 years	<b>28,117,661.93</b>	4,079,250.65
4–5 years	<b>3,295,453.89</b>	4,009,427.60
Over 5 years	<b>14,493,004.42</b>	12,384,620.68
Sub-total	<b><u>197,909,715.32</u></b>	<u>316,365,507.75</u>
Less: Provision for bad debts	<b><u>58,083,797.24</u></b>	<u>93,304,508.74</u>
Total	<b><u>139,825,918.08</u></b>	<u>223,060,999.01</u>

## 7. CONTRACT ASSETS

Unit: RMB

Item	2022			2021		
	Balance of carrying amount	Impairment provision	Carrying amount	Balance of carrying amount	Impairment provision	Carrying amount
Work completed but not billed	<b>133,456,297.15</b>	<b>53,508,511.47</b>	<b>79,947,785.68</b>	144,135,217.97	35,091,583.04	109,043,634.93
Warranty	<b><u>13,969,863.36</u></b>	<b><u>4,554,518.93</u></b>	<b><u>9,415,344.43</u></b>	<u>29,993,650.78</u>	<u>5,876,005.39</u>	<u>24,117,645.39</u>
Total	<b><u>147,426,160.51</u></b>	<b><u>58,063,030.40</u></b>	<b><u>89,363,130.11</u></b>	<u>174,128,868.75</u>	<u>40,967,588.43</u>	<u>133,161,280.32</u>

## 8. TRADE PAYABLES

Unit: RMB

Item	2022	2021
Within 1 year	123,710,953.73	155,862,344.18
1 to 2 years	36,955,161.11	19,211,467.61
2 to 3 years	2,970,168.17	34,599,241.11
Over 3 years	<u>36,036,716.05</u>	<u>22,505,436.49</u>
Total	<u>199,672,999.06</u>	<u>232,178,489.39</u>

## 9. CONTRACT LIABILITIES

Unit: RMB

Item	2022	2021
Advance heating fee	914,243,778.22	825,762,930.84
Pipeline connection fee	490,313,343.20	569,245,907.13
Custodian fee	2,450,323.22	2,833,987.66
Advance project payments	<u>3,915,471.68</u>	<u>13,494,004.91</u>
Total	<u>1,410,922,916.32</u>	<u>1,411,336,830.54</u>

## 10. OPERATING INCOME AND OPERATING COSTS

Unit: RMB

Item	2022		2021	
	Income	Cost	Income	Cost
Principal business	1,639,354,319.99	1,413,599,530.54	1,640,713,080.56	1,320,611,629.03
Other businesses	<u>15,350,832.69</u>	<u>10,457,229.02</u>	<u>8,885,190.63</u>	<u>3,670,062.77</u>
Total	<u>1,654,705,152.68</u>	<u>1,424,056,759.56</u>	<u>1,649,598,271.19</u>	<u>1,324,281,691.80</u>

## 11. INCOME TAX EXPENSES

Unit: RMB

### 1. List of income tax expenses

Item	2022	2021
Current income tax expenses	54,464,797.34	65,973,025.70
Deferred income tax expenses	<u>(3,487,791.38)</u>	<u>(21,647,334.78)</u>
Total	<u><u>50,977,005.96</u></u>	<u><u>44,325,690.92</u></u>

### 2. Reconciliation between accounting profit and income tax expenses

Item	2022	2021
Total profit	165,644,983.42	167,083,687.57
Income tax expenses calculated at statutory/applicable tax rates	41,411,245.86	41,770,921.90
Effect of different tax rates applicable to subsidiaries	(801,046.87)	(333,071.61)
Effect of adjustments to income tax on prior periods	936,321.88	—
Effect of non-taxable income	—	(561,131.65)
Effect of non-deductible costs, expenses and losses	205,377.73	3,430,452.02
Effect of deductible loss on utilisation of deferred income tax assets that were not recognised in the previous period	(472,884.14)	—
Effect of deductible temporary difference or deductible loss on deferred income tax assets that were not recognised in the current period	9,697,991.50	18,520.26
Others	<u>—</u>	<u>—</u>
Income tax expenses	<u><u>50,977,005.96</u></u>	<u><u>44,325,690.92</u></u>

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

Unit: RMB

Profit during the Reporting Period	Weighted average return rate on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	12.69	0.25	0.25
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	<u>14.63</u>	<u>0.28</u>	<u>0.28</u>

## 13. DIVIDEND

Unit: RMB

Item	2022	2021
Final dividend proposed after the end of the Reporting Period of RMB0.09 (2021: RMB0.115) per share	<u>42,003,000.00</u>	<u>53,670,500.00</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. Industry Overview

Affected by cold weather, heating has become a necessary expenditure for residents in northern China in winter. With the economic and social development of the PRC and the continuous improvement of people's living standards, the heat supply industry has become one of the most important sectors for people's livelihood. In recent years, under the combined effect of factors such as increased investment in infrastructure, accelerated urbanization and sustained growth in demand for heat supply, the room for the development of the centralized heating market has expanded, which contributed to a stable growth in overall heating area and heating capacity. According to statistics from the National Bureau of Statistics, by the end of 2021, the national urban heating area reached 10.603 billion square metres, representing an increase of 7.30% year-on-year, and the pipes length of centralized heating grew from 276,300 kilometres in 2017 to 461,500 kilometres in 2021.

Since the joint issuance of the "Clean Winter Heating Plan in Northern China (2017–2021)" by 10 ministries and commissions including the National Development and Reform Commission, the National Energy Administration, the Ministry of Finance and the Ministry of Environmental Protection in 2017 (《北方地區冬季清潔取暖規劃(2017–2021年)》), which set out the development of heating from clean energy sources. In 2020, China put forward the important strategic goal of achieving "carbon emission peak and carbon neutrality" at the United Nations Conference, and recognized the significance of energy saving and emission reduction measures. In 2022, the Ministry of Housing and Urban-Rural Development released the "14th Five-Year Plan for Building Energy Conservation and Green Building Development" (《「十四五」建築節能與綠色建築發展規劃》), aiming to complete the energy efficiency retrofit of more than 100 million sq.m. in existing residential buildings nationwide by 2025. What it means to society is that the release of a series of policies implies the future development of the heating industry will focus on promoting models of providing heating from clean energy sources, improving the efficiency of heating energy use, and accelerating the construction and renovation of heating pipelines.

Currently, due to the relative lack of natural gas resources and substantial supply of coal in northeast China, the energy structure will not see major changes in the near future. The application of technologies for heating from clean energy sources such as nuclear energy, hydrogen energy and biomass fuel are still in early stages of development. In recent years, given the price of coal has continued to rise and enterprises' capital investment in transformation into environmentally-friendly enterprises has increased, while heating prices are regulated by the National Development and Reform Commission, heating enterprises have faced a difficult business situation in general. With the gradual introduction of a number of policies, the enhancement and upgrading of the energy structure, the heating industry gradually became more concentrated on large scale and centralized heating with cleaner energy sources became more prevalent. The exploration of application of digital intelligent technologies will also serve to provide more room for the development of the heating industry.

## II. Business Review

In 2022, facing the complex economic situation and various risks and challenges such as the sudden outbreak of the COVID-19, the Group has jointly overcome various obstacles at such a difficult time. In addition to the prevention and control of the pandemic, the Group also closely focused on satisfying its targets in production and operation for the year and made solid progress in all its work, thereby achieving its main objectives and tasks for the year. During the Reporting Period, the Group achieved a total operating revenue of RMB1,654.71 million and a total profit of RMB165.64 million. As at 31 December 2022, the Group's total assets amounted to RMB3,038.97 million and the owners' equity attributable to shareholders of the listed company amounted to RMB911.90 million.

### (1) *Heat Supply Business*

In 2022, the Group always upheld its social responsibilities of providing sustainable heat supply and supporting people's livelihood. The Group has overcome factors such as continuous increase in coal prices and prices of heat source that have been prevalent for years, increase in heat supply temperature standards and extension of heat supply hours and ensured the stable development of its heat supply business. Responding to the national strategies of achieving "carbon emission peak and carbon neutrality", the Group continued to consolidate measures for environmental protection and emission reduction, to explore the application of clean energy sources and to accelerate the development of smart and digitalised heat supply systems. During the year, the overall profit of the Group's heat supply business increased as compared with that of the previous period.

For the year ended 31 December 2022, the Group's heat service area was approximately 65.21 million sq.m., representing an increase of 3.415 million sq.m. or 5.53% from 61.795 million sq.m. in 2021, and the Group had 533,368 heat supply customers, representing an increase of 25,515 users or 5.02% from 507,853 in 2021. For the year ended 31 December 2022, the Group's revenue from heat supply business was RMB1,538.42 million, representing an increase of RMB41.38 million or 2.76% from RMB1,497.04 million in 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 number of, and revenue contribution by, residential and non-residential users as at/for the year ended 31 December 2022.

	As at/for the year ended 31 December			
	2022		2021	
	Number of customers	% of revenue from heat supply	Number of customers	% of revenue from heat supply
Residential users <sup>(1)</sup>	470,019	88.12%	449,081	88.43%
Non-residential users <sup>(2)</sup>	<u>63,349</u>	<u>11.88%</u>	<u>58,772</u>	<u>11.57%</u>
<b>Total</b>	<b><u>533,368</u></b>	<b><u>100%</u></b>	<b><u>507,853</u></b>	<b><u>100%</u></b>

Notes:

(1) The number of residential users is per household.

(2) Non-residential users represent end-users other than residential users, such as industrial end-users, commercial end-users and other end-users.

## 2. Heat procurement

In recent years, due to the implications of national policies on environmental protection, energy conservation and emission reduction, the heat supply market has shown a trend of becoming more concentrated on large scale and centralized heating with cleaner energy sources becoming more prevalent. In 2022, the Group continued its model of providing heat supply from clean energy sources with cogeneration as the main source for the purpose of providing heating services to heat users within its jurisdiction in winter. During the Reporting Period, for the purpose of meeting the demand from the Group's additional heat service area, apart from purchasing cogeneration power from the four thermal power plants, the Group also purchased heat from peak-shaving boiler of its controlling shareholder for heating. In addition, Xixing Energy and Chuncheng Biomass, both the Group's subsidiaries, produced heat through their own coal-fired boilers and biomass fuels respectively for heat supply.

For the year ended 31 December 2022, the total heat procurement by the Group from the local cogeneration plants and its controlling shareholder, amounted to 22.04 million GJ and 2.20 million GJ respectively, with a total heat procurement of 24.24 million GJ, among which 20.98 million GJ of heat was used for the Group's heat supply and production purposes.

### 3. Heat transmission

For the year ended 31 December 2022, approximately 3.25 million GJ of heat procurement quota obtained from the cogeneration plants and Chuncheng Investment, the controlling shareholder, by the Group was transferred to other four heat service providers. We received a total heat transmission fee of RMB19.35 million from such four heat service providers.

The following table sets forth the breakdown of the usage of the Group's heat procurement for the year ended 31 December 2022:

	As at/for the year ended	
	31 December	
	2022	2021
Estimated heat procurement quota (GJ) <sup>(1)</sup>	<b>23,380,000</b>	23,580,000
Heat procurement quota transferred (GJ) <sup>(2)</sup>	<b>3,254,915</b>	2,732,291
Actual consumption (GJ) <sup>(3)</sup>	<b>20,981,983</b>	19,040,969
Total heat procured (GJ) <sup>(4)</sup>	<b>24,236,898</b>	21,773,260
Utilization rate <sup>(5)</sup>	<b>89.74%</b>	80.75%

*Notes:*

- (1) The heat procurement quota was an estimate of the heat procurement prior to each heat supply period based on the historical heat procurement amount.
- (2) During the Reporting Period, we transferred certain portion of procured heat to four other heat service providers. We charged heat transmission fees accordingly.
- (3) Actual consumption of heat procured by us represents the aggregate amount of actual heat supply and consumption data each month as recorded by measuring equipment and reviewed and agreed by each of four local cogeneration plants and the controlling shareholder, Chuncheng Investment, and us.
- (4) The total heat procured was the sum of heat procurement quota transferred and the actual consumption. Procurement of heat exceeding the estimated heat procurement quota is subject to the supplemental agreements between the cogeneration plants and us.
- (5) Utilization rate of heat procurement is calculated by dividing the actual consumption by the estimated heat procurement quota.

## **(2) Construction, Maintenance, Design and Others**

The Group's construction, maintenance, design and others cover the peripheral services business of the heat supply industry chain. We mainly provide services include engineering construction, engineering maintenance, design services and so on for heat supply companies or end-users. These services mainly cover northeast China. For the year ended 31 December 2022, revenue generated from the Group's construction, maintenance and design services and others amounted to RMB116.29 million, representing a decrease of RMB36.27 million, or 23.77%, from RMB152.56 million in 2021.

The engineering construction business undertook a total of 135 projects during the year, of which 121 were completed, including heat supply projects such as the relocation of heating pipe for the rail transit Line 6 and heat supply for the first tender section of the Western Heat Source Construction Project (Phase I). During the year, in addition to strengthening the cooperation between internal and external parties in the construction processes, we paid more attention to the safety management in the construction, in which we not only checked for any safety hazards at all times, but also organized safety drills and safety education and training for any emergency on a number of occasions.

The engineering maintenance business undertook a total of 118 projects during the year, of which 115 were completed, including large-scale heating projects such as C-2 secondary heating network project for Xinxingyu, Judicial Police Officers' Apartment (新星宇·司法警官公寓C-2熱力二次網工程項目) and relocation of Second Hospital of Jilin University (Phase I). In addition to undertaking the construction of a number of heating infrastructure projects in the province, we are also committed to diversify our services, reasonably expanding our business scopes. While expanding service categories, we also enhanced the quality of our services.

The design services business undertook 40 projects during the year, of which 25 were completed. This year, we focused on improving the overall core competencies of our design team. In particular, we successfully passed the re-certification of qualification as a National High-tech Enterprise and increased our investment in technological innovation and R&D projects. During the year, 2 new utility model patents were granted by the China National Intellectual Property Administration; 2 software copyrights were issued by the National Copyright Administration of the People's Republic of China. 3 papers were published in national journals. In the third "Smart Construction Cup" International Smart Construction Innovation Awards (第三屆“智建杯”國際智慧建造創新大獎賽), our entry "Application of Digitalized (Fully Automated) Western Heat Source Construction Project (Phase I) in Smart Construction" (《數字化(全自動化)西部熱源建設項目(一期)項目在智慧建造中的應用》) won the bronze award in the design category.

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

In 2022, the Group has comprehensively implemented all major decisions and deployments from the government at all levels with regard to safety production. Specifically, the Group adhered to the safety production policy of “safety first, with focus on prevention and implementing comprehensive management (安全第一、預防為主、綜合治理)” and implemented safety responsibilities at all levels from top to bottom. The Group strictly complied with various production safety rules and regulations and ensured the successful completion of its annual safety targets by conducting annual safety production assessment and evaluation, safety supervision and inspection, safety production training and drills, fire-fighting equipment inspection and replacement, etc. During the Reporting Period, the Group did not have any major safety accidents.

### **(4) Technology and R&D**

In 2022, the Group explored the development and application of new technologies and materials in the industry from multiple fields and perspectives through independent R&D and cooperation with different sectors in the society including universities. At present, the Group has completed the design and development of the mobile terminal of the “Heat Supply e-Home” (熱力e家), a mobile APP, the development of the “Fuel Statistics Management System”, as well as the establishment of the star schema of data exchange for “Heat Supply Data System”.

In terms of exploring the feasibility of new energy sources for heat supply, the Group explored the feasibility of combustion of “coal with biomass” and the development of “biomass tank”, and wrote a paper titled “The impact of combustion of biomass with coal on the operation of boilers” (《淺談生物質與燃煤混燒對鍋爐運行的影響》), which won the “Excellent Paper” (優秀論文) at the Annual Academic Conference of China District Heating Association in 2022.

In respect of smart retrofiting of heating facilities, the Group launched the project of “Smart Retrofitting of Heating Facilities”, phase I of which has been implemented this year. The project adopts the regulation and control mode of unit control and building control according to the actual situation of each community, and realizes the intelligent regulation of the second network heating system by building a data monitoring platform and installation of indoor temperature collectors, intelligent regulating valves, collection concentrators, pressure telecontrol and other equipments so as to ensure balanced temperature throughout indoor spaces, ultimately achieving energy saving and consumption reduction.

During the Reporting Period, the Group obtained a total of 7 utility model patents issued by the China National Intellectual Property Administration and 5 computer software copyright certificates issued by the National Copyright Administration.

## **(5) Honors and Awards**

On 11 January 2022, the Group was awarded the title of “Best Infrastructure and Public Utilities Company” (最佳基建及公共事業公司) at “2022 Global Investment Trend Forum and Sixth Golden Hong Kong Stock Awards Ceremony”.

In January 2022, the Group was awarded the “Investment Gateway Pioneer Award” (投關先鋒獎) by Hithink Royal Flush.

On 22 August 2022, the Group was awarded the title of “No. 1 Energy-Efficient Enterprise in the Heating Industry for the Heating Period (2020–2021)” (2020–2021供暖期供熱行業能效领跑者第一名) and the “Excellent Organisation Award” (優秀組織獎) by the China District Heating Association at the main forum of the 5th Annual China Heating Academic Conference.

On 21 November 2022, the Group’s design company won the “Bronze Award for BIM Design under the International Smart Construction Innovation Application Award” (國際智慧建造創新應用大獎賽BIM設計銅獎) at the third “Smart Construction Cup” International Smart Construction Innovation Awards (第三屆「智建杯」國際智慧建造創新大獎賽).

On 1 December 2022, the Group was awarded the title of “Jilin Province Star Workers’ Congress” (吉林省星級職工代表大會) by the Office of the Leading Group of Factory Affairs of General Trade Union of Jilin Province.

On 20 December 2022, the Group was awarded the title of “Listed Company with the Highest Investment Value” (最具投資價值上市公司) at the 12th Hong Kong International Finance Forum cum China Securities “Golden Bauhinia Award” Ceremony (第十二屆香港國際金融論壇暨中國證券「金紫荊獎」頒獎典禮).

### III. Financial Position and Operating Results

#### (1) Revenue

The Group's revenue increased by 0.31% to RMB1,654.71 million in 2022 as compared with RMB1,649.60 million in 2021, which was largely the same as those in 2021. In particular, (i) there was an increase in revenue from heating fee and pipeline connection fee of RMB41.38 million due to the increase in heat service area, and (ii) the revenue from the Group's construction, maintenance, design and other business decreased by 23.77% to RMB116.29 million in 2022 as compared with RMB152.56 million in 2021. The substantial decrease in revenue during the current period was attributable to a decrease in revenue as a result of the completion of the "Three Supplies and Property Management (三供一業)" projects and the pandemic, which led to a decrease in the number of large projects we undertook.

	<b>2022</b>	2021	Change in
	<b>RMB'000</b>	RMB'000	percentage
<b>Heat supply, of which:</b>			
Provision and distribution of heat	<b>1,447,806</b>	1,411,751	2.55%
Pipeline connection fee	<b>71,261</b>	70,117	1.63%
Heat transmission	<b>19,353</b>	15,168	27.59%
Subtotal	<b>1,538,420</b>	1,497,036	2.76%
<b>Construction, maintenance and design services and others, of which:</b>			
Engineering construction	<b>43,819</b>	57,776	(24.16%)
Engineering maintenance	<b>26,481</b>	43,977	(39.78%)
Design services	<b>7,824</b>	8,731	(10.39%)
Others	<b>38,161</b>	42,078	(9.31%)
Subtotal	<b>116,285</b>	152,562	(23.77%)
Total	<b>1,654,705</b>	1,649,598	0.31%

## (2) *Other Income and Other Net Gains*

The Group's other income and other net gains increased by 41.19% to RMB34.76 million in 2022 as compared with RMB24.62 million in the same period of 2021, mainly due to the increase in other income received from the grants for employment stabilization and pandemic subsidies, listing subsidies as well as interest income.

## (3) *Operating Costs*

The Group's operating costs increased by 7.53% to RMB1,424.06 million in 2022 as compared with RMB1,324.28 million in 2021.

The following table sets out the breakdown of the operating costs by business segment:

	<b>2022</b>	2021	Change in
	<b><i>RMB'000</i></b>	<i>RMB'000</i>	percentage
<b>Operating costs by business segment</b>			
Heat supply	<b>1,339,963</b>	1,201,204	11.55%
Construction, maintenance, design and others	<b><u>84,094</u></b>	<u>123,078</u>	<u>(31.67%)</u>
Total	<b><u><u>1,424,057</u></u></b>	<u><u>1,324,282</u></u>	<u><u>7.53%</u></u>

### *Heat supply costs*

Cost of sales for heat supply business primarily consists of heat procurement costs in connection with heat procurement from local cogeneration plants and the controlling shareholder, cost of purchase of coal for heat produced by coal-fired boilers, repair and labor cost (primarily includes wages, salaries and benefits for our employees involved in the provision and distribution of heat) and utility costs. The breakdown of operating costs by heat supply business segment is as follows:

	<b>2022</b>	2021	Change in
	<b>RMB'000</b>	RMB'000	percentage
<b>Operating costs for heat supply</b>			
Heat procurement costs	<b>767,281</b>	647,794	18.45%
Coal	<b>62,660</b>	36,175	73.21%
Maintenance and repair	<b>82,478</b>	78,810	(4.65%)
Labor	<b>152,075</b>	144,602	5.17%
Depreciation and amortization	<b>130,951</b>	129,567	1.07%
Utility	<b>77,267</b>	76,258	1.32%
Input VAT transferred out	<b>52,758</b>	46,107	14.43%
Others	<b>14,494</b>	41,891	(65.40%)
Total	<b><u>1,339,963</u></b>	<b><u>1,201,204</u></b>	<b><u>11.55%</u></b>

In 2022, the Group's heat procurement costs increased by 18.45% to RMB767.28 million as compared with RMB647.79 million in 2021, primarily due to the increase in heat sources price and the 7-day extension of heat supply as required by the government in response to the COVID-19 pandemic.

In 2022, the Group's coal cost increased by 73.21% to RMB62.66 million as compared with RMB36.18 million in 2021, primarily due to the increase in cost arising from higher coal prices and the 7-day extension of heat supply as required by the government in response to the COVID-19 pandemic.

In 2022, the Group's maintenance and repair costs increased by 4.65% to RMB82.48 million as compared with RMB78.81 million in 2021, primarily due to more external maintenance projects during the current period.

In 2022, the Group's labor cost increased by 5.17% to RMB152.07 million as compared with RMB144.60 million in 2021, primarily due to the 7-day extension of heat supply as required by the government in response to the COVID-19 pandemic.

In 2022, the Group's depreciation and amortization amounted to RMB130.95 million as compared with RMB129.57 million in 2021. Depreciation and amortization costs in 2022 remained largely stable as compared with 2021.

In 2022, the Group's utility cost amounted to RMB77.27 million as compared with RMB76.26 million in 2021. Utility cost in 2022 remained largely stable as compared with 2021.

In 2022, the Group's input VAT transferred out increased by 14.43% to RMB52.76 million, as compared with RMB46.11 million in 2021, primarily due to higher heat supply costs.

In 2022, the Group's other cost decreased by 65.40% to RMB14.49 million as compared with RMB41.89 million in 2021, primarily due to cost reduction as a result of enhanced control of other costs.

*Costs for construction, maintenance, design and others*

Operating costs for construction, maintenance, design and others primarily consists of cost of materials, labor, machinery and other costs. In 2022, the operating costs for construction, maintenance, design and others decreased by 31.27% to RMB84.09 million as compared with RMB123.08 million in 2021. The decrease in cost was mainly due to decrease in business as a result of the completion of the "Three Supplies and Property Management (三供一業)" projects.

**(4) Gross Profit and Gross Profit Margin**

In 2022, the Group's gross profit decreased by 29.10% to RMB230.65 million as compared with RMB325.32 million in 2021.

In 2022, the Group's gross profit margin decreased by 5.78% to 13.94% as compared with 19.72% in 2021. This was mainly due to the increase in coal prices and heat procurement prices as well as the 7-day extension of heat supply as required by the government in response to the COVID-19 pandemic during the current period, contributing to higher heat supply costs and lower gross margins.

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

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
<b>Operating revenue</b>	<b>1,654,705</b>	1,649,598
Operating costs	<b>1,424,057</b>	1,324,282
Gross profit	<b>230,648</b>	325,316
<b>Gross profit margin</b>	<b>13.94%</b>	19.72%

**(5) *Administrative Expenses***

In 2022, the Group's administrative expenses decreased by 13.69% to RMB99.23 million as compared with RMB114.97 million in 2021, primarily due to the control of labour costs during the current period.

**(6) *Finance Costs***

In 2022, the Group's finance costs was RMB-13.48 million as compared with RMB-1.19 million in 2021. Such change was primarily due to to the increase in interest income received during the current period.

**(7) *Income Tax Expenses***

In 2022, the Group's income tax expenses increased by 15.00% to RMB50.98 million as compared with RMB44.33 million in 2021, which was principally due to the increase in taxable income as calculated in accordance with the Enterprise Income Tax Law and its relevant regulations and the income tax expenses for the current period increased by RMB6.65 million as compared to the previous period.

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

In 2022, the Group's profit for the year decreased by 6.59% to RMB114.67 million as compared with RMB122.76 million in 2021. The decrease was mainly due to an increase in coal prices and heat source prices during the current period as well as the 7-day extension of heat supply as required by the government in response to the COVID-19 pandemic, contributing to higher heat supply costs.

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

In 2022, profit attributable to owners of the Company decreased by 6.59% to RMB114.67 million as compared with RMB122.76 million in 2021. The decrease in profit attributable to owners of the Company was in line with the decrease in profit for the year.

#### **(10) *Liquidity and Capital Resources***

The Group's cash and cash equivalents increased by 55.08% to RMB1,030.24 million as at 31 December 2022, as compared with the balance of RMB664.31 million as at 31 December 2021, which was primarily due to (i) the increase in net cash flow from operating activities of RMB122.15 million in 2022 as compared to 2021; and (ii) the increase in consolidated net cash flow from investing activities and financing activities of RMB311.81 million in 2022 as compared to 2021. The main sources of the Company's operating capital were from (i) unutilised bank financing facilities of RMB466.00 million as at 31 December 2022; and (ii) its own funds accumulated from operating activities, as at 31 December 2022, cash and cash equivalents amounted to approximately RMB1,030.24 million. As at 31 December 2022, the Group's bank borrowing amounted to RMB234.00 million.

#### **(11) *Capital Expenditure***

In 2022, the Group's capital expenditure decreased by 35.46% to RMB50.43 million, as compared with RMB78.14 million in 2021. The decrease in capital expenditure was mainly attributable to decrease in the amount of fixed assets purchased.

#### **(12) *Capital Structure***

As of 31 December 2022, the equity attributable to owners of the Group amounted to RMB911.90 million, which represents an increase of RMB63.88 million as compared to 31 December 2021, mainly due to the profit for the year.

### **IV. Risk Factors and Risk Management**

#### **(1) *Industry risks***

Policies such as the national goal of “carbon emission peak and carbon neutrality” may lead to change in costs for thermal power plants, such as an increase in costs for future thermal power plants, and the government may correspondingly increase the ex-factory price of heat sources for cogeneration enterprises, which has an impact on the Group's heat purchase costs. Meanwhile, the prices of services provided by the Group's related heating construction, maintenance and design business are also subject to control and regulation under government policies. Therefore, the government may adjust the relevant pricing due to geographical location, changes in market demand levels or overall economic development. Accordingly, the Group's operations may be affected by adjustments to relevant laws and regulations as well as local policies in the PRC that are relevant to the heating industry, nevertheless, government departments will conduct in-depth studies on the heating industry before making any adjustments and take into full consideration the actual operating conditions of the companies within the heating industry.

The Group will strengthen the cost control over its management staff, strengthen internal supervision, enhance market resilience, improve smart management capabilities and increase the efficiency of the use of the smart heating network system to achieve people-oriented operation and demand-based heat supply.

**(2) *Policy risks***

The Group's operating activities of heat supply are subject to adjustment in accordance with changes in national industry policies and need to be adjusted accordingly in accordance with their requirements. If there is a significant change in industry policies of heat supply, it may intensify competition in the industry and heighten the market risks, which may have a certain degree of negative impact on the Group's operation. National and local environmental protection authorities may further impose more stringent environmental protection standards and measures, the compliance of which may result in increased operating cost for the Group to meet such standards.

The Group will adhere to the principles and requirements set out in various national and local government's economic policies, industry policies, as well as laws and regulations so as to formulate its development goals and direction. At the same time, the Group will invest more costs in upgrading existing equipment and optimizing equipment parameters to meet the requirements of regulatory authorities.

**(3) *Climate risk***

The cost of heating for the heat supply business of the Group is significantly affected by changes in outdoor weather condition during the heating period. In the event of extreme weather or low outdoor temperature, the Group will monitor and estimate the needs for procurement of more heat to maintain the indoor temperature of users based on relevant data, which will result in an overall increase in the purchase of heat and/or total coal consumption by thermal power plants, resulting in a significant increase in the Group's heating costs and vice versa.

The Group will make full use of the advanced smart management mode of the smart heating network platform and the advantages of self-adjustment by virtue of network for purchase of multiple sources of heat to adopt scientific and smart adjustment means and reasonably deploy output of heat, so as to reduce the adverse impact of climate risk on the increase in the Group's heating costs.

**(4) *Exchange Risk***

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

## **(5) COVID-19-related Risk**

Due to the outbreak of the COVID-19 in Changchun from early March to early May 2022, the Group extended the heating days in accordance with the government's requirements, resulting in an increase in the cost of the Group's heating business in the first half of the year. At the same time, the outbreak of COVID-19, to a certain extent, gave rise to lockdown in certain regions and traffic standstill, and resulted in delay in the construction of some construction and maintenance projects.

At present, the outbreak has been effectively contained in Jilin Province, but there is still a high degree of uncertainty regarding the global outbreak of the pandemic and its prevention and control, which may adversely affect the Group's production and operation if the outbreak recurs in the PRC in the future.

## **V. Other Significant Events**

### **(1) Significant Investments**

The Group did not have any significant investments for the year ended 31 December 2022.

### **(2) Material Acquisitions and Disposals**

The Group did not have any material acquisitions nor disposals for the year ended 31 December 2022.

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

The Group did not have any material capital commitment nor contingent liabilities for the year ended 31 December 2022.

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

There was no material charge on the Group's assets for the year ended 31 December 2022.

### **(5) Restated financial data**

Reference is made to (1) the proposed public offering of up to 155,566,600 A shares ("A Shares") of the Company (the "A Share Offering") and the proposed listing of the A Shares on the Shenzhen Stock Exchange (the "Listing of A Shares"); (2) the circular of the Company dated 25 November 2020 in relation to, among other things, the acquisition of 100% equity interest in Changchun Yatai Heating Co., Ltd.\* (長春亞泰熱力有限責任公司) ("Yatai Heating"); (3) the Company's announcement dated 14 April 2022 in relation to the restated financial information (the "Announcement of Restated Financial Information"); (4) the Company's 2021 annual report dated 14 April 2022 (the "2021 Annual Report"); (5) the

Company's interim report for the six months ended 30 June 2022 (the “**2022 Interim Report**”); and (6) the Company's announcement dated 30 November 2022 in relation to the adjustment to the financial information (the “**Adjustment Announcement**”).

In accordance with the relevant regulations and requirements of the CSRC, the Company has continued to update the filings and information relating to the application for A Share Offering and made certain adjustments to the financial information disclosed in the Announcement of Restated Financial Information, the 2021 Annual Report and the 2022 Interim Report.

Following the adjustments set out in the Adjustment Announcement, the Company's financial information for the relevant periods have been restated. For details of the restated financial information, please refer to the Adjustment Announcement.

The financial information set out in this announcement for the relevant reporting periods are the restated financial data unless otherwise stated.

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

As at 31 December 2022, the Group had a total of 1,562 employees, all of whom are based in the PRC. In 2022, the Group maintained its existing employees' remuneration package which comprises basic salary, position salary and monthly and yearly performance incentives in accordance with the Measures for Employees' Wage Management (《勞動工資管理辦法》). The determination of remuneration which is based on both position value and performance appraisals helps motivate employees' contribution and dedication to the Group.

During the Reporting Period, the Group continued to improve its training system and training mechanism around the construction of a talent pool and the growth needs of its staff, established access for staff development, carried out supplementary selection of outstanding talents and orderly conducted staff mobility strategies such as rotation and position competition in their day-to-day work so as to promote the development of the group entities and appreciation of human capital.

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

## **(7) Events after the year end**

By reference to the announcement of the Company dated 13 March 2023, the Company submitted the application materials, including the A Share prospectus of the Company (the “**A Share Prospectus**”) to the Shenzhen Stock Exchange for the A Share Offering and on 3 March 2023, the Shenzhen Stock Exchange has accepted the application materials. According to the legal requirements of the People’s Republic of China, a copy of the A Share Prospectus has been made available on the website of the Shenzhen Stock Exchange at listing.szse.cn for preliminary publication. The A Share Prospectus is not, and is not intended to be, an offer of securities of the Company for sale in Hong Kong. The A Share Prospectus has not been and will not be registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

## **VI. Prospects and Outlook**

China’s 14th Five-Year Plan has clearly defined the new direction and requirements for urban heating development. With the development of national efforts on developing heating from clean energy sources and the strategic goal of “carbon peaking and carbon neutrality”, combined with the “14th Five-Year Plan for National Economic and Social Development of Changchun City and the Outline of Vision 2035” (《長春市國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), it is essential for the Group to optimize and adjust the heating structure and to improve the coverage of centralized heating, while focusing on the retrofitting of centralized heating pipeline network and increasing the proportion of clean energy sources in heating for better energy efficiency. It is the future development trend of urban heating in Changchun City to build a clean, low-carbon, safe and efficient heating system.

In recent years, there has been a rise in coal prices due to the increasing demand for coal as well as the international situation, policies on environmental protection, output and transportation costs, and the rise will continue, which resulted in the rise in purchase price of heat sources for power plants. Driven by the fact that the demand for heat supply increased year-on-year, and that the procurement of heat by power plants is volatile and their demand gradually became saturated, heat supply enterprises intensify their development on and investment in their own heat sources so as to ensure sufficient heat supply.

For the purpose of aligning with the national and government developments goals, the Group will control the entire process of planning, implementation and settlement of the Group, and formulate short, medium and long-term development plans. We will develop our businesses in compliance with relevant national policies and open up sources of energy and cutting costs in order to achieve the industrial transformation and high-quality development of the clean heat supply. The key for business breakthrough in the future for heat supply enterprises is not limited to rely on government policies, but to focus their efforts on developing core technologies, strengthening the core competitiveness of enterprises, tapping into its potential and enhancing its efficiency, and working on improving its market competitiveness. Meanwhile, the Group is investing more effort in the research and development of heating technologies with the aim to drive production with science

and technologies. The Group will also stress on its role in innovation, so as to provide solid scientific and technological support and protection for the development of “smart heating” technologies, the enhancement of people’s wellbeing and its goal to work for people’s livelihoods. In 2023, the Group will also further improve the quality and standard of its services of of its construction, maintenance and design and other businesses. Working on building its branding in services by virtue of its existing businesses, the Group will make the good use of its existing advantages in the heat supply industry chain so as to gain more market share and lay a solid foundation for the development of its heat supply business.

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

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

### **Change of Director and Composition of the Audit Committee and Strategy Committee**

As disclosed in the Company’s announcement dated 6 March 2023, Mr. Liu Changchun (“**Mr. Liu**”) has tendered his resignation from the position as the Chairman of the Board and a non-executive Director with effect from 6 March 2023 due to work adjustments. Mr. Liu also ceased to be a member of the Audit Committee and the chairman of the Strategy Committee with effect from 6 March 2023.

Following the resignation of Mr. Liu, the composition of the Audit Committee and the Strategy Committee failed to meet the following requirements under: (a) Rule 3.21 of the Listing Rules and Article 3 of the terms of reference of the Audit Committee that the Audit Committee shall comprise a minimum of three members; and (b) Article 3 of the terms of reference of the Strategy Committee that the Strategy Committee shall comprise three directors. Also, following Mr. Liu’s resignation, the office of the chairman of the Board becomes vacant which deviates from Code Provision C.2.1 of the CG Code.

On 29 March 2023, the Company convened an extraordinary general meeting and Mr. Sun Huiyong (“**Mr. Sun**”) has been elected as a non-executive Director. Following Mr. Sun’s appointment as a non-executive Director, a Board meeting was held on the same day and appoint Mr. Sun as the Chairman of the Board. Mr. Sun also becomes a member of the Audit Committee and the chairman of the Strategy Committee with effect from 29 March 2023. Accordingly, the Company fulfils the minimum requirement prescribed under Rule 3.21 of the Listing Rules and the respective terms of reference of the Audit Committee and the Strategy Committee and re-complies with Code Provision C.2.1 of the CG Code with effect from 29 March 2023.

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

The Company has adopted the Model Code as the code of conduct and rules governing the dealings by all of our Directors and supervisors (the “**Supervisors**”) in the securities of the Company. Having made specific enquiry with the Directors and Supervisors of the Company, all Directors and

Supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the year ended 31 December 2022. The Company has also set up guidelines in respect of the dealings in the Company's securities by its relevant employees (as defined in the Listing Rules), which terms are no less exacting than those of the Model Code.

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

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities or redeemable securities for the year ended 31 December 2022.

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

For the year ended 31 December 2022, neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or other similar rights nor exercised any conversion or subscription rights under any convertible securities, options, warrants or other similar rights issued or granted by the Company or any of its subsidiaries at any time.

### **Issue of Bonds**

For the year ended 31 December 2022, neither the Company nor any of its subsidiaries had issued any bonds.

### **Review of Annual Results**

The Company has established the Audit Committee (the "**Audit Committee**") of the Company with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. At the date of this announcement, the Audit Committee consists of three members, namely Mr. Poon Pok Man, Mr. Sun Huiyong and Mr. Wang Yuguo. Mr. Poon Pok Man is the chairman of the Audit Committee. The Audit Committee of the Company and the Company's independent auditors have reviewed the annual results of the Group for the year ended 31 December 2022 and agreed with the accounting method adopted by the Company.

## Scope of Work of Da Hua Certified Public Accountants

The figures in respect of the Group's combined statement of financial position and combined income statement, and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's auditor, Da Hua Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Da Hua Certified Public Accountants in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Da Hua Certified Public Accountants on the preliminary announcement.

## Amendments to the Articles of Association

Shareholders passed a resolution to approve the amendments to the Articles of Association at the 2021 annual general meeting on 20 May 2022, details of the amendments are set out in the circular of the Company dated 19 April 2022. The latest version of the Articles of Association is also available on the websites of the Company and the Hong Kong Stock Exchange.

## Final Dividend

The Board resolved to propose to the Shareholders at the 2022 AGM to be held on 19 May 2023, for their consideration and approval of the payment of a final dividend of RMB0.09 per Share (tax inclusive) (2021 : RMB0.115 per Share) for the year ended 31 December 2022 (the “**2022 Final Dividend**”) payable to the Shareholders, whose names appear on the register of members of the Company on 7 June 2023, in an aggregate amount of approximately RMB42.00 million (2021 : approximately RMB53.67 million). The 2022 Final Dividend will be denominated and declared in RMB. Dividends on Domestic Shares will be paid in RMB and dividends on H Shares will be paid in Hong Kong dollars. Subject to the passing of the relevant resolution at the AGM, the 2022 Final Dividend are expected to be paid on 7 July 2023.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and the Implementation Rules of the Enterprise Income Tax Law of People's Republic of China (《中華人民共和國企業所得稅法實施條例》) implemented in 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% when distributing the 2022 Final Dividend to its non-resident enterprise Shareholders of overseas H Shares (including HKSCC Nominees Limited, other corporate nominees or trustees, or other entities and organizations) whose names appear on the H Shares register of members of the Company on 7 June 2023.

According to regulations by the State Administration of Taxation (Guo Shui Han [2011] No.348) (國家稅務總局國稅函[2011]348號) and relevant laws and regulations, if the individual H Share Shareholders are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Shareholders. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the individual H Share Shareholders shall make self-assessment regarding whether they

meet the conditions for enjoying the tax treaty benefits pursuant to the Announcement of the State Administration of Taxation ([2019] No.35) (國家稅務總局公告(2019年第35號)). If the Shareholders are entitled to such treaty benefits, they shall duly fill in the Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits (《非居民納稅人享受協定待遇信息報告表》) and submit to the Company. After receiving and ensuring the completeness of information of the form, the Company will withhold the tax in accordance with the provisions of domestic tax laws and tax treaty, and duly submit the form as a schedule for withholding declaration to the competent tax authority. The Company will withhold the tax pursuant to the provisions of domestic tax laws for Shareholders whose Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits has not been submitted or has missing information. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H Share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or those countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Shareholders.

The Company will determine the country of domicile of the individual H Share Shareholders based on the registered address as recorded in the H Share register of members of the Company on 7 June 2023 (the “**Registered Address**”). If the country of domicile of an individual H Share Shareholder is not the same as the Registered Address or if the individual H Share Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H Share Shareholder shall notify and provide relevant supporting documents to the Company on or before Wednesday, 31 May 2023. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Share Shareholders may either personally or appoint a proxy to attend to the procedures in accordance with the requirements under the tax treaty notice if they fail to provide the relevant supporting documents to the Company within the time period stated above.

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

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

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

The Company was not aware of any arrangement under which a Shareholders has waived or agreed to waive any dividend for the year ended 31 December 2022.

## **AGM**

The AGM will be held on Friday, 19 May 2023. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

## **Closure of Register of Members**

For the purpose of determining the Shareholders' rights to attend and vote at the AGM and the entitlement to the proposed 2022 Final Dividend, the register of members of the Company will be closed from Tuesday, 16 May 2023 to Friday, 19 May 2023 (both days inclusive) and from Thursday, 1 June 2023 to Wednesday, 7 June 2023 (both days inclusive) respectively, during which period no transfer of H Shares will be registered.

In order to be eligible to attend and vote at the forthcoming AGM, holders of H Shares shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 15 May 2023.

In order to be entitled to the proposed 2022 Final Dividend (subject to the approval by the Shareholders at the forthcoming AGM), holders of H Shares of the Company shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 31 May 2023.

## **Publication of Annual Results and Annual Report**

This announcement is published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cc-tp.com.cn>). The 2022 annual report of the Company containing all the information required by the applicable Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

## Definitions

“AGM”	the annual general meeting of the Company for the year 2022 to be held on Friday, 19 May 2023 or any adjournment thereof
“ASBEs”	the Accounting Standards for Business Enterprises — Basic Standards (《企業會計準則—基本準則》) issued by the Ministry of Finance and the specific accounting standards for business enterprises, the application guidance for the ASBEs, the interpretation of ASBEs and other relevant requirements
“Articles” or “Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“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
“Chuncheng Biomass”	Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司), a wholly-owned subsidiary of the Company
“Company” or “we”	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司) (stock code: 1853), a company incorporated in the PRC on 23 October 2017 and is a joint stock limited liability company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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 heat supply, including both the heat service area which we fully or partially charge for our heat fees
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“HK\$”	the lawful currency of Hong Kong
“Hong Kong Stock Exchange” or “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
“PRC”	The People’s Republic of China and for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Reporting Period”	the period from 1 January 2022 to 31 December 2022
“RMB”	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
“Strategy Committee”	the strategy committee of the Board
“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

By order of the Board  
**Jilin Province Chuncheng Heating Company Limited\***  
**Sun Huiyong**  
*Chairman*

Jilin, the PRC, 31 March 2023

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

\* For identification purpose only