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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)

2023 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- The revenue for the six months ended 30 June 2023 amounted to RMB898,354.4 thousand, representing an increase of 1.22% compared to the same period in 2022.
- The profit before tax for the six months ended 30 June 2023 was RMB175,711.2 thousand, representing an increase of 95.86% as compared to the same period in 2022.
- The net profit attributable to equity holders of the Company for the six months ended 30 June 2023 amounted to RMB124,923.7 thousand, representing an increase of 95.92% as compared to the same period in 2022.
- Earnings per share for the six months ended 30 June 2023 amounted to RMB0.27, representing an increase of RMB0.13 as compared to the same period in 2022.

The Board is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2023, which were prepared in accordance with the ASBEs. These unaudited interim results had been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL INFORMATION

(presented in RMB unless otherwise stated)

COMBINED STATEMENT OF FINANCIAL POSITION

Item	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
CURRENT ASSETS:			
Monetary fund		706,205,031.43	1,034,436,102.05
Financial assets measured at fair value through profit or loss		–	–
Held-for-trading financial assets		–	–
Derivative financial assets		–	–
Bills receivable		–	–
Trade receivables	9	163,403,239.36	139,825,918.08
Trade receivables financing		–	–
Prepayments		101,433,145.62	587,425,208.07
Other receivables		9,097,573.67	17,686,677.50
Inventories		9,901,868.05	7,487,869.38
Contract assets		75,691,515.76	89,363,130.11
Assets held for sale		–	–
Non-current assets due within one year		–	–
Other current assets		36,153,009.78	17,263,647.13
TOTAL CURRENT ASSETS		1,101,885,383.67	1,893,488,552.32

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
NON-CURRENT ASSETS:		
Available-for-sale financial assets	–	–
Investments held-to-maturity	–	–
Debt investments	–	–
Other debt investments	–	–
Long-term receivables	–	–
Long-term equity investments	–	–
Other equity instrument investments	–	–
Other non-current financial assets	–	–
Investment properties	10,020.32	26,982.27
Fixed assets	919,198,087.03	984,808,829.76
Construction-in-progress	16,764,048.50	16,637,053.27
Biological assets	–	–
Fuel and gas assets	–	–
Right-of-use assets	237,609.27	708,603.37
Intangible assets	14,156,903.07	14,687,456.32
Development costs	–	–
Goodwill	74,847,680.43	74,847,680.43
Long-term deferred expenditures	244,804.85	508,668.09
Deferred income tax assets	59,017,348.36	53,261,130.98
Other non-current assets	–	–
TOTAL NON-CURRENT ASSETS	1,084,476,501.83	1,145,486,404.49
TOTAL ASSETS	2,186,361,885.50	3,038,974,956.81

Item	<i>Note</i>	30 June 2023 (Unaudited)	31 December 2022 (Audited)
CURRENT LIABILITIES:			
Short-term borrowings		304,280,000.00	234,000,000.00
Financial liabilities measured at fair value through profit or loss		–	–
Held-for-trading financial liabilities		–	–
Derivative financial liabilities		–	–
Bills payable		–	–
Trade payables	<i>10</i>	129,521,325.25	199,672,999.06
Advances		–	–
Contract liabilities		545,004,852.82	1,410,922,916.32
Salaries payable		39,705,288.28	103,693,668.18
Tax payable		15,613,613.45	37,339,588.27
Other payables		44,662,619.11	21,365,983.70
Liabilities held for sale		–	–
Non-current liabilities due within one year		476,190.47	476,190.47
Other current liabilities		608,228.97	17,836.40
TOTAL CURRENT LIABILITIES		1,079,872,118.35	2,007,489,182.40

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
NON-CURRENT LIABILITIES:		
Long-term borrowings	–	–
Bonds payable	–	–
Of which: Preference shares	–	–
Perpetual bonds	–	–
Lease liabilities	–	–
Long-term payables	2,775,074.00	2,775,074.00
Long-term salaries payable	29,559,928.24	29,559,928.24
Estimated liabilities	–	–
Deferred income	41,981,151.58	44,188,783.40
Deferred income tax liabilities	37,351,438.08	41,263,242.91
Other non-current liabilities	–	1,797,307.74
TOTAL NON-CURRENT LIABILITIES	111,667,591.90	119,584,336.29
TOTAL LIABILITIES	1,191,539,710.25	2,127,073,518.69
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):		
Paid-in capital (or share capital)	466,700,000.00	466,700,000.00
Other equity instruments	–	–
Of which: Preference shares	–	–
Perpetual bonds	–	–
Capital reserve	–	–
Less: Treasury stock	–	–
Other comprehensive income	-1,786,642.82	-1,786,642.82
Special reserve	25,643,923.18	25,643,923.18
Surplus reserve	29,831,863.56	29,831,863.56
Undistributed profits	474,433,031.33	391,512,294.20
Owners' equity attributable to the parent company	994,822,175.25	911,901,438.12
Minority interests	–	–
TOTAL OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)	994,822,175.25	911,901,438.12
LIABILITIES AND OWNERS' EQUITY	2,186,361,885.50	3,038,974,956.81

COMBINED INCOME STATEMENT

Item	<i>Note</i>	30 June 2023 (Unaudited)	30 June 2022 (Audited)
I. TOTAL OPERATING INCOME	3	898,354,369.86	887,542,062.06
Less: Operating costs		672,736,557.40	760,186,646.73
Taxes and surcharges	3	739,177.86	684,573.42
Selling expenses		369,156.07	649,498.13
Administrative expenses	4	42,474,968.32	40,929,674.76
Research and development expenses		758,975.06	671,066.11
Financial costs		-9,911,247.71	-10,653,424.94
Of which: Interest charges		5,271,142.44	1,205,416.52
Interest income		-9,841,436.25	-9,844,630.37
Add: Other income		9,223,898.86	5,365,748.92
Investment income		-	-
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		-	-
Credit impairment loss		-19,246,248.97	7,034,652.43
Impairment loss on assets		-5,447,266.77	-17,876,365.63
Gain on disposal of assets		-	13,021.19
II. OPERATING PROFIT		175,717,165.98	89,611,084.76
Add: Non-operating income		106,713.81	120,589.37
Less: Non-operating expenses		112,691.12	17,593.41
III. TOTAL PROFIT		175,711,188.67	89,714,080.72
Less: Income tax expense	8	50,787,451.54	25,951,732.47

Item	30 June 2023 (Unaudited)	30 June 2022 (Audited)
IV. NET PROFIT	124,923,737.13	63,762,348.25
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	124,923,737.13	63,762,348.25
Net profit from discontinued operation	-	-
(II) Classified by ownership	-	-
Net profit attributable to owners of the parent company	124,923,737.13	63,762,348.25
Minority interests	-	-
V. OTHER COMPREHENSIVE INCOME, NET OF TAX	-	-
Other comprehensive income attributable to owners of the parent company, net of tax	-	-
(I) Other comprehensive income that may not be reclassified to profit or loss	-	-
1. Changes from re-measurement of defined benefit plans, net	-	-
2. Other comprehensive income that may not be transferred to profit or loss under the equity method	-	-
3. Fair value of other equity instrument investments	-	-
4. Changes in fair value of the enterprise's own credit risk	-	-
5. Others	-	-
(II) Other comprehensive income that may be reclassified to profit or loss	-	-
1. Other comprehensive income that may be transferred to profit or loss under the equity method	-	-
2. Gain or loss from changes in fair value of available-for-sale financial assets	-	-
3. Profit or loss from held-to-maturity investments reclassified to available-for-sale financial assets	-	-

Item	<i>Note</i>	30 June 2023 (Unaudited)	30 June 2022 (Audited)
4. Changes in fair value of other debt investments		–	–
5. Amounts of financial assets reclassified to other comprehensive income		–	–
6. Credit impairment provision for other debt investments		–	–
7. Reserves for cash flow hedges		–	–
8. Differences from translation of financial statement denominated in foreign currency		–	–
9. Investment income from a package disposal of subsidiaries before loss of control		–	–
10. Conversion of other assets to investment property measured by fair value model		–	–
11. Other comprehensive income attributable to minority shareholders, net of tax		–	–
VI. TOTAL COMPREHENSIVE INCOME		124,923,737.13	63,762,348.25
1. Total comprehensive income attributable to owners of the parent company		124,923,737.13	63,762,348.25
2. Total comprehensive income attributable to minority Shareholders		–	–
VII. EARNINGS PER SHARE:	<i>7</i>		
(I) Basic earnings per Share		0.27	0.14
(II) Diluted earnings per Share		0.27	0.14

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE COMPANY

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in preparation of the combined financial statements for the six months ended 30 June 2023 are consistent with those of the Company’s annual financial statements for the year ended 31 December 2022.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

(2) Financial information of the reportable segments

(1) Segment assets, liabilities and revenue

Item	Heat supply	Construction, maintenance, design and others	Total
30 June 2023 (Unaudited)			
Reportable segment assets	1,984,435,292.88	201,926,592.62	2,186,361,885.50
Reportable segment liabilities	1,058,092,964.51	133,446,745.74	1,191,539,710.25
January to June 2023 (Unaudited)			
Segment revenue			
Revenue from external customers	882,464,234.07	28,020,363.19	910,484,597.26
Intersegment revenue	3,120,769.23	9,009,458.17	12,130,227.40
Reportable segment revenue	879,343,464.84	19,010,905.02	898,354,369.86
Reportable segment gross profit	217,935,602.22	7,682,210.24	225,617,812.46
30 June 2022 (Audited)			
Reportable segment assets	2,028,106,366.29	291,311,036.00	2,319,417,402.29
Reportable segment liabilities	1,213,350,785.78	155,113,583.58	1,368,464,369.36
January to June 2022 (Audited)			
Segment revenue			
Revenue from external customers	861,525,086.40	28,054,191.11	889,579,276.51
Intersegment revenue	50,000.00	1,987,214.45	2,037,214.45
Reportable segment revenue	861,475,086.40	26,066,975.66	887,542,062.06
Reportable segment gross profit	114,730,894.15	12,624,521.18	127,355,415.33

(2) *Revenue and other business income*

Item	January to June 2023 (Unaudited)	January to June 2022 (Audited)
Revenue from contracts with customers		
Provision and distribution of heat	836,010,649.80	814,695,876.15
Pipeline connection fee	34,801,891.60	34,487,464.07
Heat transmission	8,530,923.44	12,291,746.18
Engineering construction	9,329,477.97	10,709,288.60
Engineering maintenance	–	3,606,937.08
Design services	3,928,780.06	4,038,250.71
Others	5,752,646.99	7,712,499.27
Total	898,354,369.86	887,542,062.06

(3) *Costs and other business costs*

Item	January to June 2023 (Unaudited)	January to June 2022 (Audited)
Heat supply	661,407,862.62	746,744,192.25
Of which:		
Heat procurement cost	416,316,103.43	477,385,576.15
Coal	26,077,478.86	37,859,932.21
Maintenance and repair	11,650,831.24	6,236,779.18
Labor	67,732,919.66	68,867,606.11
Depreciation and amortization	64,787,459.25	67,554,772.84
Utility	39,828,344.14	50,630,354.92
Input VAT transferred out	28,219,179.79	29,100,676.57
Others	6,795,546.25	9,108,494.27
Construction, maintenance and design services	11,328,694.78	13,442,454.48
Others	–	–
Total	672,736,557.40	760,186,646.73

4. ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2023, the administrative expenses incurred amounted to RMB42,474,968.32 (for the six months ended 30 June 2022, administrative expenses incurred amounted to RMB40,929,674.76), which mainly represent labor costs, depreciation and amortization expenses, etc.

5. PROFIT BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION

Item	January to June 2023 (Unaudited)	January to June 2022 (Audited)
Net profit	124,923,737.13	63,762,348.25
Income tax expense	50,787,451.54	25,951,732.47
Depreciation of fixed assets provided for	66,556,467.98	68,953,041.74
Amortization of intangible assets provided for	626,736.44	570,609.16
Amortization of long-term deferred expenditures provided for	263,863.24	438,605.40
Interest and investment income	9,841,436.25	9,844,630.37
Interest income from financial institution	–	–
Interest charges	5,271,142.44	1,205,416.52
Interest expenses to financial institution	–	–
Profit before interest, tax, depreciation and amortization	238,587,962.52	151,037,123.17

6. DIVIDEND

(1) Interim dividend

The Board does not recommend the payment of any interim dividend to the Shareholders for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

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

A final dividend of RMB0.09 per Share (tax inclusive) for the financial year ended 31 December 2022 (totaling RMB42,003,000.00) was approved at the 2022 annual general meeting. As at 30 June 2023, the aforesaid final dividend has not yet been distributed to the Shareholders.

7. EARNINGS PER SHARE

	January to June 2023 (Unaudited)	January to June 2022 (Audited)
Net profit attributable to the parent company	124,923,737.13	63,762,348.25
Weighted average number of ordinary Shares in issue during the period	466,700,000.00	466,700,000.00
Earnings per Share	0.27	0.14

Note: Diluted earnings per Share were the same as basic earnings per Share as there were no dilutive potential ordinary Shares in issue for the six months ended 30 June 2023 and 2022.

8. INCOME TAX EXPENSE

(1) List of income tax expense

Item	January to June 2023 (Unaudited)	January to June 2022 (Audited)
Income tax expense for the current period	59,820,452.13	36,842,289.38
Deferred income tax expense	-9,033,000.59	-10,890,556.91
Total	50,787,451.54	25,951,732.47

(2) Reconciliation between accounting profit and income tax expense

Item	January to June 2023 (Unaudited)
Total profit	175,711,188.67
Income tax expense calculated at statutory/applicable tax rates	43,796,009.13
Effect of different tax rates applicable to subsidiaries	44,768.89
Effect of adjustments to income tax on prior periods	4,820,065.12
Effect of non-taxable income	-
Effect of non-deductible costs, expenses and losses	-
Effect of deductible loss on utilisation of deferred income tax assets that were not recognised in the previous period	-
Effect of deductible temporary difference or deductible loss on deferred income tax assets that were not recognised in the current period	2,287,435.16
Others	-160,826.76
Income tax expense	50,787,451.54

9. TRADE RECEIVABLES

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

(1) Disclosure of trade receivables based on ageing

Ageing	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Within 1 year	139,864,272.18	107,633,751.13
1 to 2 years	26,094,180.09	30,085,813.21
2 to 3 years	16,005,297.71	14,284,030.74
3 to 4 years	32,191,758.27	28,117,661.93
4 to 5 years	2,130,948.62	3,295,453.89
Over 5 years	16,230,239.06	14,493,004.42
Sub-total	232,516,695.93	197,909,715.32
Less: Provision for bad debts	69,113,456.57	58,083,797.24
Total	163,403,239.36	139,825,918.08

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

Category	30 June 2023 (Unaudited)				
	Carrying balance		Provision for bad debts		Carrying amount
		Proportion		Proportion	
	Amount	(%)	Amount	(%)	
Trade receivables subject to provision for ECL on individual basis					
Trade receivables subject to provision for ECL on portfolio basis	232,516,695.93	100.00	69,113,456.57	29.72	163,403,239.36
Of which: Ageing analysis portfolio					
– Heat supply business	100,096,183.06	43.05	9,984,203.26	9.97	90,111,979.80
Ageing analysis portfolio – Basic heating fee	30,352,586.75	13.05	8,121,354.87	26.76	22,231,231.88
Ageing analysis portfolio – Engineering business	92,639,471.36	39.84	49,449,128.29	53.38	43,190,343.07
Related party portfolio	9,428,454.76	4.06	1,558,770.15	16.53	7,869,684.61
Total	232,516,695.93	100.00	69,113,456.57	29.72	163,403,239.36

Category	31 December 2022 (Audited)				
	Carrying balance		Provision for bad debts		Carrying amount
		Proportion		Proportion	
	Amount	(%)	Amount	(%)	
Trade receivables subject to provision for ECL on individual basis					
Trade receivables subject to provision for ECL on portfolio basis	197,909,715.32	100.00	58,083,797.24	29.35	139,825,918.08
Of which: Ageing analysis portfolio					
– Heat supply business	78,820,552.11	39.83	8,711,236.73	11.05	70,109,315.38
Ageing analysis portfolio – Basic heating fee	24,355,520.50	12.30	6,809,148.02	27.96	17,546,372.48
Ageing analysis portfolio – Engineering business	78,502,577.46	39.67	40,831,926.02	52.01	37,670,651.44
Related party portfolio	16,231,065.25	8.20	1,731,486.47	10.67	14,499,578.78
Total	197,909,715.32	100.00	58,083,797.24	29.35	139,825,918.08

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

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

Ageing	30 June 2023 (Unaudited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	82,393,762.18	3,073,287.32	3.73
1 to 2 years	8,492,683.47	1,309,571.78	15.42
2 to 3 years	4,243,413.52	1,222,951.78	28.82
3 to 4 years	595,639.91	241,293.76	40.51
4 to 5 years	539,582.72	305,997.36	56.71
Over 5 years	3,831,101.26	3,831,101.26	100.00
Total	100,096,183.06	9,984,203.26	9.97

Ageing	31 December 2022 (Audited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	63,208,967.32	1,637,112.25	2.59
1 to 2 years	5,550,401.05	771,505.76	13.90
2 to 3 years	4,531,958.00	1,216,377.52	26.84
3 to 4 years	294,916.71	114,988.01	38.99
4 to 5 years	594,476.47	331,420.63	55.75
Over 5 years	4,639,832.56	4,639,832.56	100.00
Total	78,820,552.11	8,711,236.73	11.05

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

Ageing	30 June 2023 (Unaudited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	16,699,129.14	1,791,816.57	10.73
1 to 2 years	7,248,228.85	1,261,916.64	17.41
2 to 3 years	832,720.35	214,009.14	25.70
3 to 4 years	993,332.30	412,630.25	41.54
4 to 5 years	386,232.08	248,038.24	64.22
Over 5 years	4,192,944.03	4,192,944.03	100.00
Total	30,352,586.75	8,121,354.87	26.76

Ageing	31 December 2022 (Audited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	10,526,617.38	696,862.06	6.62
1 to 2 years	7,313,717.02	886,422.49	12.12
2 to 3 years	741,584.19	145,943.77	19.68
3 to 4 years	872,646.40	302,808.30	34.70
4 to 5 years	296,845.90	173,001.79	58.28
Over 5 years	4,604,109.61	4,604,109.61	100.00
Total	24,355,520.50	6,809,148.02	27.96

(3) *Ageing analysis portfolio – Engineering business*

Ageing	30 June 2023 (Unaudited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	32,237,926.10	3,204,449.86	9.94
1 to 2 years	10,353,267.77	3,069,743.89	29.65
2 to 3 years	10,929,163.84	6,905,045.70	63.18
3 to 4 years	30,407,786.06	27,579,861.96	90.70
4 to 5 years	605,133.82	583,833.11	96.48
Over 5 years	8,106,193.77	8,106,193.77	100.00
Total	92,639,471.36	49,449,128.29	53.38

Ageing	31 December 2022 (Audited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	19,336,662.09	1,102,189.74	5.70
1 to 2 years	16,547,134.23	3,632,095.97	21.95
2 to 3 years	8,815,488.55	5,314,858.05	60.29
3 to 4 years	26,350,098.82	23,422,602.84	88.89
4 to 5 years	2,204,131.52	2,111,117.17	95.78
Over 5 years	5,249,062.25	5,249,062.25	100.00
Total	78,502,577.46	40,831,926.02	52.01

10. TRADE PAYABLES

Ageing	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
Within 1 year	55,879,054.19	123,710,953.73
1 to 2 years	24,959,360.64	36,955,161.11
2 to 3 years	11,326,950.42	2,970,168.17
Over 3 years	37,355,960.00	36,036,716.05
Total	129,521,325.25	199,672,999.06

MANAGEMENT DISCUSSION AND ANALYSIS

2023 symbolises the first year of comprehensive implementation of the spirit of the 20th Party Congress and also a critical year for promoting high-quality development on all fronts. In the first half of the year, despite a complex and volatile international environment, China insisted on high-quality development as the primary task. National economy has enhanced in a stable and progressive way while the momentum of the overall rebound has been consolidated. Apart from that, the reform of state-owned enterprises continued to deepen, which accordingly released the vitality of development.

Focusing on the current heating industry, the promotion of high-quality development and the goal of “carbon peaking, carbon neutrality” put forward new and higher standards on the industry. The leading role of scientific and technological innovation in the high-quality development of the industry has become increasingly prominent. The Group has conducted in-depth study on the economic development landscape and industry trends and continued to promote the mixed ownership reform within state-owned enterprises. The Group also deepened the innovation as well as research and development of intelligent heating systems, improved the efficiency of energy production and utilisation, and optimized the quality of heat supply services for its customers. By doing so, the Group aims to utilize the concerted and comprehensive efforts of multiple fronts including reform and development, efficiency enhancement and brand building etc. to comprehensively promote the development of the Group’s business to the next level.

I. BUSINESS REVIEW

In the first half of 2023, the Group adhered to development through innovation and actively enhanced resource allocation. The Group also implemented more intensified energy conservation measures, coordinated development and safety with a focus on promoting the high-quality development of heat supply and production businesses and accomplished various tasks and missions during the first half of the year.

(1) *Heat Supply Business*

In the first half of the year, the Group continued to improve its management system for heat supply production and enhance the level of applying intelligence in the heat supply business. As a result, the effective implementation of energy conservation and emission reduction was achieved, and the utilisation rate of heat supply energy efficiency increased accordingly.

As at 30 June 2023, the Group had a heat service area of 65.136 million sq.m., representing an increase of 3.067 million sq.m. or 4.94% from 62.069 million sq.m. in the corresponding period of 2022. As for the number of heat supply users, as at 30 June 2023, the Group had 533,138 heat supply users, representing an increase of 23,610 users or 4.63% from 509,528 users in the corresponding period of 2022. For the six months ended 30 June 2023, the Group’s revenue from heat supply business was RMB879.34 million, representing an increase of RMB17.87 million or 2.07% from RMB861.47 million in the corresponding period of 2022.

1. Customers

Customers of the Group's heat supply business are generally residential and non-residential users within the Group's heat service area. The table below sets out a breakdown of the number of, and revenue contribution by, residential and non-residential users of the Group as at 30 June 2023.

	As at 30 June 2023		As at 30 June 2022	
	Number of customers	% of revenue from provision and distribution of heat	Number of customers	% of revenue from provision and distribution of heat
Residential users ⁽¹⁾	469,818	88.12%	450,502	88.42%
Non-residential users ⁽²⁾	<u>63,320</u>	<u>11.88%</u>	<u>59,026</u>	<u>11.58%</u>
Total	<u>533,138</u>	<u>100%</u>	<u>509,528</u>	<u>100%</u>

Notes:

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

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

2. Heat procurement

In 2023, adhering to the concept of high-quality development, the Group made every effort to safeguard the heating demand of customers within its jurisdiction by actively responding to targets of the dual-carbon emission reduction and the work requirement of clean heating and continued its cogeneration-led heat supply. 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 local thermal power plants, the Group also purchased heat from peak-shaving boilers of Chuncheng Investment, 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 six months ended 30 June 2023, the total heat procurement by the Group from local cogeneration plants and its controlling shareholder, Chuncheng Investment, amounted to 10.99 million GJ and 1.93 million GJ respectively, with a total heat procurement of 12.92 million GJ, among which 11.53 million GJ of heat was used for the Group's heat supply and production purposes.

3. Heat resale

For the six months ended 30 June 2023, approximately 1.39 million GJ of heat procurement quota obtained from cogeneration plants and Chuncheng Investment, the controlling shareholder, by the Group was transferred to four other heat service providers. The Group received heat transmission fee aggregating RMB8.53 million from these four heat service providers.

The following table sets forth the breakdown of the usage data of heat procured by the Group between January to June 2023 and in the corresponding period of 2022:

	January to June 2023	January to June 2022
Estimated heat procurement quota (GJ) ⁽¹⁾	13,900,000	13,280,946
Heat procurement quota transferred (GJ) ⁽²⁾	1,393,754	2,155,100
Actual consumption (GJ) ⁽³⁾	11,532,694	13,003,200
Total heat procured (GJ) ⁽⁴⁾	12,926,448	15,158,300
Utilization rate ⁽⁵⁾	82.97%	97.9%

Notes:

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

(2) Construction, Maintenance and Design Services and Others

The Group's construction, maintenance, design and others business covers the peripheral services business of the heat supply industry chain, mainly providing services such as construction and building of heat supply facilities, engineering maintenance and project design for heat supply enterprises or end-users. These businesses are mainly concentrated in the northeast region of China. For the six months ended 30 June 2023, revenue generated from the Group's construction, maintenance, design services and other businesses amounted to RMB19.01 million, representing a decrease of RMB7.06 million, or 27.07%, from RMB26.07 million for the corresponding period in 2022.

In the first half of the year, the engineering construction business undertook a total of 32 projects, including key projects such as the "Changchun Dual-Carbon Industrial Guidance Zone (Zone 3) Park Luminggu Project Thermal Facilities Supporting Project" (長春市雙碳產業引導區(三區)園區鹿鳴谷項目熱力配套工程) and the "Cogeneration Plant No. 2 Phase I and Pipeline Network Project Phase II" (熱電二廠一期、二期管網工程), etc.. During the Reporting Period, the Company strengthened the safety management during the whole process of engineering construction, and eliminated the potential safety hazards in a timely manner. At the same time, the Group continued to improve the project management system, standardise the project management process, and established a management system for accounts receivable as needed.

In the first half of the year, the design services business undertook seven design projects, including the "Jingyue Area Old District Infrastructure Renovation and Environmental Capacity Enhancement Project" (淨月區域老舊小區基礎設施改造與環境能力提升項目) and the "Shida Free Campus Heating Primary Pipeline Network Removal and Renovation Project" (師大自由校區供熱一次管網排遷改造工程). In the first half of the year, Heat Research Company successfully shortlisted in the "Changchun Science and Technology Small and Medium-sized Enterprises Evaluation System" (長春市科技中小型企業評價系統) and became a technical support unit for "2023 Seminar for Operation and Development of Heat Supply Industry in Northeast Provinces" (2023年度東北三省供熱行業經營發展問題研討會). The Company has always insisted on cooperation with tertiary educational institutions to explore and research cutting-edge technologies in the industry. At present, seven research projects of Heat Research Company are conducted in cooperation with the Jilin Provincial Science and Technology Department (吉林省科技廳) and tertiary educational institutions. One of which was completed in April 2023, four expected to be completed in the second half of the year, and the other two are in progress.

(3) Safety Management

In the first half of 2023, the Group fully implemented the major decisions and deployments of the governments at all levels on production safety, always adhered to the philosophy of production safety of “safety first, with focus on prevention and implementing comprehensive management” (安全第一、預防為主、綜合治理), implemented safety responsibilities at all levels from top to bottom. The Group strictly complied with the rules and regulations on production safety, and ensured the successful completion of the safety targets of the first half of the year by executing the responsibility letter for annual safety target control as well as conducting safety supervision inspections, production safety drills, Safety Month and safety education, fire equipment testing and replacement, etc. Meanwhile, in order to better implement the tasks for safety management, the Group’s production safety committee held regular meetings and regularly pay site visit to its subsidiaries to supervise their safety management work, which significantly enhanced the Group’s safety management capability. During the Reporting Period, the Group did not record any major safety accidents.

(4) Technology and R&D

In the first half of 2023, the “Big Data for Intelligent Heating” (智慧供熱大數據) system developed by the Group in cooperation with tertiary educational institutions reached the final stage and was put into use in the actual production. The application of the system further standardised the connection among various micro services and allowed for the mapping with the production system, the billing system and the customer service system on real-time basis. At the “2023 Jilin Digital Economy Development Promotion Conference and the First Jilin Data Governance Conference” (2023年吉林省數字經濟發展促進大會暨首屆吉林省數據治理大會), “Big Data for Intelligent Heating” (智慧供熱大數據) project was listed as the “Jilin Province Data Management Excellent Application Cases of 2023” (2023吉林數據管理優秀應用案例).

At present, the research of “three-dimensional pipeline platform” (三維管線平台) has finished and the platform was put into use. By establishing the mapping and correlation between layers other than heat supply pipelines and heat supply spots, the platform can display cross-system heat supply operation data in real time, achieve the three-dimensional management of heat supply spots through heating pipelines. This can also realise the coherence of data and images and the coherence among three-dimensionality through image algorithms so as to support functions such as excavation in engineering and contingent heat supply.

In the first half of 2023, the Group developed the “Equipment Ledger Management System” (設備台賬管理系統) based on the actual needs of equipment management. The team for early research and development has completed in-depth technical discussion and well versed in the actual needs of the Group. The front-end and back-end frameworks of the system have been preliminarily completed and will continue to be developed to meet the development and needs of the Group.

During the Reporting Period, the Group obtained a total of 6 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 18 January 2023, the Group was awarded the “2022 Advanced Unit of Mayor’s Citizen Hotline” (2022年度市長公開電話工作先進單位) by the General Office of Changchun Municipal People’s Government.

On 17 February 2023, Pipeline Network Company* (管網公司), a subsidiary of the Group, won the “Third Prize under Team Category” (團體三等獎) award in the “Welding Skills Competition of Construction Industry in Jilin Province” (吉林省建築行業焊接技能大賽).

On 19 May 2023, the Group was awarded the “Jilin Province Data Management Excellent Application Cases of 2023” (2023吉林省數據管理優秀應用案例) by the Jilin Province Digital Economy Development Promotion Association* (吉林省數字經濟發展促進會) and Jilin Province Information Technology Application Association* (吉林省信息技術應用協會).

II. FINANCIAL POSITION AND OPERATING RESULTS

(1) Revenue

For the six months ended 30 June 2023, the Group’s revenue was RMB898,354.4 thousand, compared to RMB887,542.1 thousand for the corresponding period of 2022, representing an increase of 1.22%, primarily due to the increase in revenue from the heat supply business.

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

	For the six months ended 30 June		
	2023	2022	Change in
	RMB0’000	RMB0’000	percentage
	(Unaudited)	(Audited)	
Heat supply, of which:			
– Heating fee income	83,601.06	81,469.59	2.62%
– Pipeline connection fee	3,480.19	3,448.75	0.91%
– Pipeline transmission fee	853.09	1,229.17	–30.60%
Sub-total	87,934.35	86,147.51	2.07%
Construction, maintenance and design services, of which:			
– Engineering construction	932.95	1,070.93	–12.88%
– Engineering maintenance	–	360.69	–100.00%
– Design services	392.88	403.83	–2.71%
– Others	575.26	771.25	–25.41%
Sub-total	1,901.09	2,606.70	–27.07%
Total	89,835.44	88,754.21	1.22%

(2) *Other Income and Other Net Gains*

For the six months ended 30 June 2023, the Group's other income and other net gains amounted to RMB19,172.0 thousand, as compared with RMB14,068.9 thousand for the corresponding period of 2022, representing an increase of 36.27%, which was principally attributable to (i) non-operating income of RMB4,198.5 thousand for the six months ended 30 June 2023 as compared with RMB120.6 thousand for the corresponding period of 2022, representing an increase of 3,381.31%. Such increase was mainly due to the heat supply subsidy amounted to RMB4,091.7 thousand received by the Company for the period from January to June 2023, which was included in non-operating income; (ii) other income of RMB5,132.2 thousand for the six months ended 30 June 2023, as compared with RMB5,365.7 thousand for the corresponding period of 2022, representing a decrease of 4.35%, which was attributable to a decrease in other income as a result of the fact that the Company received fewer subsidy income, including government grant and one-off staff training subsidy for January to June in 2023, as compared to the corresponding period of 2022; and (iii) interest income from bank deposits of RMB9,841.4 thousand for the six months ended 30 June 2023, as compared with RMB8,656.1 thousand for the corresponding period of 2022, representing an increase of 13.69%, which was attributable to the increase in interest income as a result of an increase in bank deposits of the Company during the period from January to June in 2023.

(3) *Operating Costs*

For the six months ended 30 June 2023, the Group's operating costs amounted to RMB672,736.6 thousand, as compared with RMB760,186.6 thousand for the corresponding period of 2022, representing an decrease of 11.50%. The following table sets out the breakdown of operating costs by business segment:

	For the six months ended 30 June		Change in percentage
	2023 RMB0'000 (Unaudited)	2022 RMB0'000 (Audited)	
Operating costs by business segment			
Heat supply	66,140.79	74,674.41	-11.43%
Construction, maintenance and design services	1,132.87	1,344.25	-15.72%
Total	67,273.66	76,018.66	-11.50%

Heat supply costs

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

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

	For the six months ended 30 June		Change in percentage
	2023 RMB0'000 (Unaudited)	2022 RMB0'000 (Audited)	
Cost of sales for heat supply			
Heat procurement costs	41,631.61	47,738.56	-12.79%
Coal	2,607.75	3,785.99	-31.12%
Maintenance and repair	1,165.08	623.68	86.81%
Wage	6,773.29	6,886.76	-1.65%
Depreciation and amortization	6,478.75	6,755.48	-4.10%
Utility	3,982.83	5,063.04	-21.34%
Input VAT transferred out	2,821.92	2,910.07	-3.03%
Others	679.55	910.85	-25.39%
Total	<u>66,140.79</u>	<u>74,674.41</u>	-11.43%

For the six months ended 30 June 2023, the Group's heat procurement cost was RMB416,316.1 thousand as compared to RMB477,385.6 thousand for the corresponding period of 2022, representing a decrease of 12.79%, which was mainly due to the decrease in unit purchase price of heat resources.

For the six months ended 30 June 2023, the Group's coal cost was RMB26,077.5 thousand, as compared to RMB37,859.9 thousand for the corresponding period of 2022, representing a decrease of 31.12%, which was mainly due to the decrease in the unit price of coal purchases as compared to last year.

For the six months ended 30 June 2023, the Group's maintenance and repair costs amounted to RMB11,650.8 thousand, as compared to RMB6,236.8 thousand for the corresponding period of 2022, representing an increase of 86.81%, mainly due to the fact that there were more cases of pipeline damage and accordingly more pipeline repairs and replacements in the current period.

Costs for construction, maintenance and design services

Operating costs for construction, maintenance and design services primarily consists of cost of materials, labor, machinery and other costs. For the six months ended 30 June 2023, the Group's operating costs for construction, maintenance and design services amounted to RMB11,328.7 thousand, as compared with RMB13,442.5 thousand for the corresponding period of 2022, representing a decrease of 15.72%. The change in operating costs was generally in line with the decrease in revenue for construction, maintenance and design services.

(4) *Gross Profit and Gross Profit Margin*

For the six months ended 30 June 2023, the Group's gross profit amounted to RMB225,617.8 thousand, as compared with RMB127,355.4 thousand for the corresponding period of 2022, representing an increase of 77.16%. This was mainly due to decrease in heat procurement costs as well as coal procurement, labor workers and utilities costs, etc.

(5) *Administrative Expenses*

For the six months ended 30 June 2023, the Group's administrative expenses amounted to RMB42,475.0 thousand, as compared with RMB40,929.7 thousand for the corresponding period of 2022, representing an increase of 3.78%, which was primarily due to (i) the end of the epidemic and the reopening of the economy, which led to an increase in office and travel expenses for enterprise personnel; (ii) an increase in business hospitality expenditures; and (iii) an increase in the salaries of management personnel or an increase in the number of recruited management cadres.

(6) *Finance Costs*

For the six months ended 30 June 2023, the Group's finance costs amounted to RMB5,271.1 thousand, as compared with RMB16.9 thousand for the corresponding period of 2022, representing an increase of 31,089.94%, which was principally due to the increase of the Group's total amount of loan compared with the same period last year.

(7) *Income Tax Expense*

For the six months ended 30 June 2023, the Group's income tax expense was RMB50,787.5 thousand, as compared with RMB25,951.7 thousand for the corresponding period of 2022, representing an increase of 95.70%, which was primarily due to the increase in profit as compared with the same period last year and increase in taxable income calculated in accordance with the Enterprise Income Tax Law and its related regulations.

(8) Profit for the Period

For the six months ended 30 June 2023, the Group's profit for the period amounted to RMB124,923.7 thousand, as compared with RMB63,762.3 thousand for the corresponding period of 2022, representing an increase of 95.92%. This was primarily due to the fact that (i) the Group purchased energy from its controlling shareholder at a lower price compared to the same period in 2022, and the heat procurement cost was lower in the current period; (ii) the Group's capitalization on its potentials and established an energy-saving and consumption reduction longterm management mechanism, and reduced energy consumption, which led to a decrease in the operating cost in the first half of 2023; and (iii) the Group optimized the intelligent heat network control and strengthened its operation and management, which enhanced the efficiency of production and operation.

(9) Profit Attributable to Owners of the Company

For the six months ended 30 June 2023, profit attributable to owners of the Company was RMB124,923.7 thousand as compared with RMB63,762.3 thousand for the corresponding period of 2022, representing an increase of 95.92%. Profit attributable to owners of the Company was in line with profit for the period.

(10) Liquidity and Capital Resources

As at 30 June 2023, the Group had cash and cash equivalents of RMB699,605.0 thousand, representing a decrease of 32.09% as compared with the balance of RMB1,030,236.1 thousand as at 31 December 2022, which was mainly due to (i) net cash outflow from operating activities of RMB536,178.2 thousand primarily as a result of the payment of RMB252,596.9 thousand in cash by the Company for goods and services as well as labour; and (ii) net cash inflow from financing activities of RMB54,349.6 thousand primarily as a result of the additional borrowings of RMB70,280.0 thousand during the current period.

(11) Capital Expenditure

For the six months ended 30 June 2023, the Group's capital expenditure amounted to RMB4,105.0 thousand, as compared with RMB2,585.9 thousand for the corresponding period of 2022, representing an increase of 58.75%. This was mainly attributable to the increase in the purchase of fixed assets during the current period.

(12) Capital Structure

As at 30 June 2023, the equity attributable to owners of the Group amounted to RMB994,822.2 thousand, representing an increase of RMB82,920.8 thousand as compared with 31 December 2022. This was mainly due to the distribution of final dividend for the year of 2022 declared during the period resulting in a decrease in undistributed profits, and the increase in profit during the period. As at 30 June 2023, the Group's total interest-bearing bank and other borrowings amounted to approximately RMB304,280 thousand at a fixed interest rate of 3.8% per annum.

Gearing ratio is the percentage of total interest-bearing liabilities (including interest-bearing bank and other borrowings and lease liabilities), net of cash and cash equivalents, to total equity at the end of each financial period. As at 30 June 2023, the Group's cash and cash equivalents exceeded the Group's total interest-bearing liabilities.

(13) Material Acquisitions and Disposals

For the six months ended 30 June 2023, the Group did not have any material acquisitions and disposals.

(14) Charge on Assets

As at 30 June 2023, the Group did not have any charge on assets.

(15) Contingencies

As at 30 June 2023, the Group did not have any material contingencies.

III. RISK FACTORS AND RISK MANAGEMENT

(1) *Industry Risk*

The heat supply industry in the PRC is highly fragmented with a large number of heat supply service providers across the country. The Group mainly competes with domestic heating service providers and new operators which just enter the market. If the Group is unable to continue to improve its service quality and operational efficiency nor effectively control its operating costs, its development and growth may be hindered in face of the increasingly fierce competition in the industry. In 2021, the General Office of the State Council has stipulated the cancellation of the connection fee, construction fee of centralised pipeline network, grid connection support fee and other similarly fees charged by urban centralised heating enterprises in the northern heating regions from the customers. As such, there is a risk of a gradual decline in the Company's future revenue from construction fees of pipeline network.

The Group will do its best to enhance its competitiveness in terms of operating cost control and customer service accordingly.

(2) *Policy Risk*

The government attaches great importance to the stable development of the public infrastructure industry. The heating industry is subject to corresponding adjustments in terms of service prices, service standards and quality control in accordance with the adjustments in national policies, and therefore the Group's relevant operating activities for heat supply are subject to adjustments in accordance with changes in national industrial policies. The government may also adjust the relevant prices in response to fluctuations in raw material costs, changes in the level of market demand or overall economic development. If the government fails to adjust the heating prices in this respect, the Group's profitability may be adversely affected.

National and local environmental protection departments and other governmental departments have introduced stringent standards on environmental protection, imposing charges for any discharge of waste substances in excess of prescribed levels and fines for serious non-compliance. Environmental protection authorities may order the suspension of production and business or the suspension of the relevant operating facilities of any enterprise that fails to comply with the requirements to cease or fails to take corrective measures. The Group's efforts to meet these standards may result in an increase in the Company's operating costs.

The Group will take prompt countermeasures in terms of technological enhancement, quality control and operational efficiency in accordance with the adjustments in national policies, in addition to strengthening daily supervision and management and enhancing its resilience.

(3) *Climate Risk*

The Group's heat supply business is affected by weather conditions during heat supply season. Nowadays, extreme weather continues to prevail globally and the occurrence of extreme cold weather has become more frequent. In this regard, maintaining the indoor temperature at required level requires the consumption of a higher level of heat, leading to an increase in the procurement of heat from thermal power plants or the consumption of coal, which in turn increase the overall cost of heat supply.

The Group will increase its investment in technologies and innovation and continue to enhance its outcome in reducing consumption and increasing efficiency, so as to reward the community with even better quality of heat supply.

(4) *Exchange Risk*

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

(5) *Taxation risk*

The Group is entitled to tax incentives in respect of value-added tax and enterprise income tax. If the said tax incentives change in the future and the Group is no longer entitled to the relevant tax incentives, the Group's financial situation may be adversely affected.

The Group will strictly comply with the relevant tax policies, improve its financial systems and formulate scientific financial management plans.

IV. PROSPECT FOR THE SECOND HALF OF 2023

In the second half of the year, the Group will focus on the target of improving the quality of heat supply and reasonably reducing energy consumption by putting more efforts in the following areas.

- (i) To continue to invest in the research and development and application of intelligent heat supply and plan to carry out digital intelligence integration projects for heat supply; seeking to strengthen the intelligent and precise regulation and control over the entire linkage of heat sources, heat networks, heating stations, heating pipes and households in the heat supply system for effective energy saving and emission reduction through making full use of the AI intelligent heat supply algorithm technology; to lay a solid foundation for digital transformation through the assetisation of data so as to practically improve the efficiency in the utilisation of energy and to enhance the heat supply operating efficiency;
- (ii) To further strengthen the development of heating pipeline network as well as construction and renovation projects of heat supply pipeline network and heat supply facilities, while alleviate the problem of insufficient heat in some areas by optimising the distribution of heat through main heating pipelines;

- (iii) To continue to enhance the overhauling and maintenance of heating equipment, improve energy efficiency management of production of heat and the quality of services for heat supply customers, so as to get well prepared for the 2023–2024 heating period;
- (iv) To keep enhancing the development of businesses such as engineering design, construction and maintenance.

V. EVENTS AFTER THE REPORTING PERIOD

Since 30 June 2023 and up to the date of this announcement, save as disclosed in this announcement, there is no other material events or transactions affecting the Group.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

Compliance with Corporate Governance Code

As a company listed on the Hong Kong Stock Exchange, the Company always strives to maintain a high level of corporate governance. Save as disclosed below, the Company complies with code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix 14 to the Listing Rules throughout the Reporting Period.

The positions of the chairman of the Board and the general manager of the Company are held separately. Prior to his resignation in 6 March 2023, Mr. LIU Changchun was a non-executive director and the Chairman of the Board. Mr. SUN Huiyong was appointed as Chairman of the Board with effect from 29 March 2023 to fill the vacancy following the resignation of Mr. LIU Changchun. Mr. YANG Zhongshi is the Company’s general manager. Accordingly, during the period between 6 March 2023 and 28 March 2023, the role of the Chairman of the Board of the Company became vacant which deviated from Code Provision C.2.1 of the CG Code.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct and rules governing the dealings by all Directors and supervisors (“**Supervisors**”) in the securities of the Company. Having made specific enquiry with the Directors and Supervisors of the Company, all Directors and Supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the six months ended 30 June 2023. The Company has also set up guidelines in respect of dealings in the Company’s securities by its relevant employees (as defined in the Listing Rules), which terms are no less exacting than those of the Model Code.

Directors' Responsibilities in relation to the Financial Statements

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

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

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities or redeemable securities.

Convertible Securities, Options, Warrants and Similar Rights

For the six months ended 30 June 2023, there were no convertible securities, options, warrants and other similar rights issued or granted by the Company or any of its subsidiaries, nor were there any conversion rights or subscription rights exercised pursuant to any convertible securities, options, warrants and other similar rights issued or granted by the Company or any of its subsidiaries at any time.

Debentures in Issue

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries issued any debentures.

Review of Interim Results

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Mr. Poon Pok Man, Mr. Sun Huiyong and Mr. Wang Yuguo. Mr. Poon Pok Man, an independent non-executive Director, is the chairman of the Audit Committee. The Audit Committee and the independent auditor of the Company have reviewed the interim results of the Group for the six months ended 30 June 2023, and have agreed with the accounting adopted by the Company.

Publication of Interim Results and Interim Report

This announcement is published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cc-tp.com.cn>). The 2023 interim report of the Company containing all the information required by the applicable Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

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; and (2) 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 PRC regulators, 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, among others, the 2022 Interim Report. Following the adjustments set out in the Adjustment Announcement, the Company's financial information for the six months ended 30 June 2022 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.

DEFINITIONS

“ASBEs”	the Accounting Standards for Business Enterprises — Basic Standards (《企業會計準則 – 基本準則》) issued by the Ministry of Finance and the specific accounting standards for business enterprises, the practice note for the ASBEs, the interpretation of ASBEs and other relevant requirements
“Board”	the board of Directors of the Company
“China” or “PRC”	the People's Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
“Chuncheng Investment”	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司), previously known as Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the controlling Shareholder of the Company
“Company”	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司) (stock code: 1853), a company incorporated in the PRC on 23 October 2017 and is a joint stock limited liability company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Heat Research Company”	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), a wholly-owned subsidiary of the Company
“heat service area”	gross floor areas covered by our heat supply, including both the heat service area which we fully and partially charge for heat fees
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China

“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Reporting Period”	the period from 1 January 2023 to 30 June 2023
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 per share
“Shareholder(s)”	the shareholder(s) of the Company
“Xixing Energy”	Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司), previously known as Changchun FAW Sihuan Kinetic Company Limited* (長春一汽四環動能有限公司), a wholly-owned subsidiary of the Company
“Yatai Heating”	Changchun Yatai Heating Company Limited* (長春亞泰熱力有限責任公司), a wholly-owned subsidiary of the Company
“%”	percent

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

Jilin, the PRC, 28 August 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*