

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 2019

FINANCIAL HIGHLIGHTS FOR THE 2019 RESULTS ANNOUNCEMENT

- The revenue for the year ended 31 December 2019 was RMB1,561.4 million, representing an increase of 8.4% over the comparative figures of 2018.
- The profit attributable to owners of the Company for the year ended 31 December 2019 was RMB134.0 million, representing an increase of 30.5% over the comparative figures of 2018.
- Earnings per share for the year ended 31 December 2019 was RMB0.35, representing an increase of 20.7% over the comparative figures of 2018.
- The Board proposed the distribution of a final dividend of RMB0.17 per share (tax inclusive) for the year ended 31 December 2019.

The Board is pleased to announce the consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018. The results were prepared in accordance with the disclosure requirements under the International Financial Reporting Standards issued by the International Accounting Standards Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Expressed in RMB'000 unless otherwise stated)

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i>
Revenue	5	1,561,415	1,440,159
Cost of sales		<u>(1,274,246)</u>	<u>(1,215,485)</u>
Gross profit		<u>287,169</u>	<u>224,674</u>
Other income and gains	5	26,280	20,955
Administrative expenses		(103,882)	(72,426)
Selling expenses		(2,423)	–
Impairment on financial and contract assets, net		(10,215)	(23,319)
Impairment of property, plant and equipment		(7,197)	(401)
Impairment of inventories		(2,491)	–
Other expenses		(148)	(357)
Finance costs	6	(7,125)	(11,344)
Share of profits and losses of a joint venture		<u>336</u>	<u>1,501</u>
Profit before tax	7	<u>180,304</u>	<u>139,283</u>
Income tax expense	8	<u>(46,333)</u>	<u>(36,606)</u>
Profit for the year		<u>133,971</u>	<u>102,677</u>
Attributable to:			
Owners of the Company		133,971	102,677
Non-controlling interests		<u>–</u>	<u>–</u>
Profit for the year		<u>133,971</u>	<u>102,677</u>
Earnings per share expressed in RMB			
Basic	10	<u>0.35</u>	<u>0.29</u>
Diluted	10	<u>0.35</u>	<u>0.29</u>

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i>
Profit for the year		133,971	102,677
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of supplemental benefit obligations, net of tax		<u>2,264</u>	<u>(361)</u>
Other comprehensive income for the year, net of tax		<u>2,264</u>	<u>(361)</u>
Total comprehensive income for the year		<u>136,235</u>	<u>102,316</u>
Attributable to:			
Owners of the Company		136,235	102,316
Non-controlling interests		<u>—</u>	<u>—</u>
Total comprehensive income for the year		<u>136,235</u>	<u>102,316</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		31 December 2019	31 December 2018
	<i>Notes</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		875,200	929,841
Investment properties		41	43
Intangible assets		3,750	3,872
Deferred tax assets		24,877	19,408
Other non-current assets		4,197	8,775
Investment in a joint venture		57,561	62,692
Right-of-use assets		2,537	3,829
		<hr/>	<hr/>
Total non-current assets		968,163	1,028,460
Current assets			
Inventories		9,105	11,369
Trade receivables	11	308,955	200,148
Contract assets	12	198,861	262,215
Prepayments and other receivables	13	379,474	335,316
Other current assets		9,243	19,867
Cash and cash equivalents		699,940	358,884
		<hr/>	<hr/>
Total current assets		1,605,578	1,187,799
Current liabilities			
Trade payables	14	398,137	320,814
Other payables and accruals		90,227	97,026
Interest-bearing bank and other borrowings	15	10,715	108,000
Lease liabilities		1,355	1,493
Tax payable		39,273	39,020
Early retirement and supplemental benefit obligations		617	1,183
Contract liabilities		681,620	609,222
Deferred income		2,555	1,793
		<hr/>	<hr/>
Total current liabilities		1,224,499	1,178,551
Net current assets		381,079	9,248
		<hr/>	<hr/>
Total assets less current liabilities		1,349,242	1,037,708
		<hr/>	<hr/>

	31 December 2019	31 December 2018
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities		
Lease liabilities	1,277	2,346
Early retirement and supplemental benefit obligations	9,191	10,571
Contract liabilities	468,437	500,943
Deferred income	29,887	21,532
	<hr/>	<hr/>
Total non-current liabilities	508,792	535,392
	<hr/>	<hr/>
Net assets	840,450	502,316
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Equity attributable to owners of the Company		
Share capital	466,700	350,000
Reserves	373,750	152,316
	<hr/>	<hr/>
Total equity	840,450	502,316
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. CORPORATE AND GROUP INFORMATION

Jilin Province Chuncheng Heating Company Limited (the “Company”), formally 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 incorporated in the People’s Republic of China (the “PRC”) on 23 October 2017 as a result of the reorganisation of Changchun Heating Power (Group) Company Limited (“Changchun Heating Group” or the “Shareholder”) and its subsidiaries (the “Reorganisation”) in preparation for listing the Company’s H shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The registered office of the Company is located at 28/F (Hong Cheng Xiyu), 998 Nanhu Avenue, Nanguan District Sub-district B, Changchun, Jilin Province, the PRC.

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:

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

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on a historical cost basis, except for equity investments which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Comparative information

Certain comparative amounts for the year ended 31 December 2018 have been reclassified to conform with the current year's presentation.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to IFRSs 2015-2017 Cycle</i>	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015-2017 Cycle* – Amendments to IFRS 3, IFRS 11 and IAS 12, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

- (a) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the financial position or performance of the Group.
- (b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments under *Annual Improvements to IFRSs 2015-2017 Cycle*

IAS 23 *Borrowing Costs*: Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the financial position or performance of the Group.

4. 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:

- Heat supply, including the provision and distribution of heat, pipeline connection and heat transmission; and
- Construction, maintenance and design services, including certain rental services and the sales of goods.

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

Year ended 31 December 2019	Heat supply RMB'000	Construction, maintenance and design services RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	964,237	597,178	1,561,415
Intersegment sales	–	39,021	39,021
	<u>964,237</u>	<u>636,199</u>	<u>1,600,436</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(39,021)</u>
Revenue			<u><u>1,561,415</u></u>
Segment results	143,685	38,332	182,017
<i>Reconciliation:</i>			
Elimination of intersegment results	4,621	(6,334)	<u>(1,713)</u>
Profit before tax			<u><u>180,304</u></u>
Segment assets	2,328,800	621,939	2,950,739
<i>Reconciliation:</i>			
Elimination of intersegment receivables	(165,504)	(66,126)	(231,630)
Other eliminations	(145,368)	–	<u>(145,368)</u>
Total assets			<u><u>2,573,741</u></u>
Segment liabilities	1,453,865	509,521	1,963,386
<i>Reconciliation:</i>			
Elimination of intersegment payables	(128,008)	(103,622)	(231,630)
Corporate and other unallocated liabilities	1,535	–	<u>1,535</u>
Total liabilities			<u><u>1,733,291</u></u>
Other segment information:			
Impairment losses recognized in profit or loss	6,014	13,889	19,903
Depreciation and amortization	96,359	790	97,149
Capital expenditure	55,981	516	56,497

Year ended 31 December 2018	Heat supply RMB'000	Construction, maintenance and design services RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	939,522	500,637	1,440,159
Intersegment sales	–	50,006	50,006
	<u>939,522</u>	<u>550,643</u>	<u>1,490,165</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(50,006)</u>
Revenue			<u><u>1,440,159</u></u>
Segment results	119,553	21,103	140,656
<i>Reconciliation:</i>			
Elimination of intersegment results	7,352	(8,725)	<u>(1,373)</u>
Profit before tax			<u><u>139,283</u></u>
Segment assets	1,909,597	569,021	2,478,618
<i>Reconciliation:</i>			
Elimination of intersegment receivables	(76,848)	(54,950)	(131,798)
Other eliminations	(130,561)	–	<u>(130,561)</u>
Total assets			<u><u>2,216,259</u></u>
Segment liabilities	1,361,450	484,291	1,845,741
<i>Reconciliation:</i>			
Elimination of intersegment payables	(89,199)	(42,599)	<u>(131,798)</u>
Total liabilities			<u><u>1,713,943</u></u>
Other segment information:			
Impairment losses recognized/(reversed) in profit or loss	(1,747)	25,467	23,720
Depreciation and amortization	93,469	1,654	95,123
Capital expenditure	215,774	3,955	219,729

Geographical information

The Group's revenues from customers are all attributed to the PRC, and the Group's non-current assets are all located in the PRC.

Information of major customers

Revenue of approximately RMB293,052,000 for the year ended 31 December 2019 (2018: RMB216,626,000) was derived from the "Construction, maintenance and design services" segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue from contracts with customers		
Provision and distribution of heat	894,540	875,399
Pipeline connection fee	54,233	51,522
Heat transmission	11,951	12,601
Engineering construction	366,412	310,928
Engineering maintenance	220,774	173,063
Design services	9,743	16,051
Sale of goods	3,643	340
	<u>1,561,296</u>	<u>1,439,904</u>
Revenue from other sources		
Gross rental income from operating leases, fixed lease payments	<u>119</u>	<u>255</u>
Total	<u><u>1,561,415</u></u>	<u><u>1,440,159</u></u>
Other income and gains		
Bank interest income	8,489	5,412
Government grants*	16,918	11,641
Gains from financial assets at fair value through profit or loss	–	2,307
Others	873	1,595
	<u>26,280</u>	<u>20,955</u>
Total	<u><u>26,280</u></u>	<u><u>20,955</u></u>

* There are no unfulfilled conditions and other contingencies relating to these grants.

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Type of goods or services		
Heat supply segment:		
– Provision and distribution of heat	894,540	875,399
– Pipeline connection fee	54,233	51,522
– Heat transmission	11,951	12,601
	<u>960,724</u>	<u>939,522</u>
Construction, maintenance, and design services segment:		
– Engineering construction	366,412	310,928
– Engineering maintenance	220,774	173,063
– Design services	9,743	16,051
– Sale of goods	3,643	340
	<u>600,572</u>	<u>500,382</u>
Total	<u><u>1,561,296</u></u>	<u><u>1,439,904</u></u>
Timing of revenue recognition		
Services delivered over time	1,545,702	1,426,963
Goods or services transferred at a point in time	15,594	12,941
Total	<u><u>1,561,296</u></u>	<u><u>1,439,904</u></u>

(a) Contract liabilities

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Current:		
Heat supply	670,230	606,145
Construction, maintenance and design services	11,390	3,077
	681,620	609,222
Non-current:		
Heat supply	468,437	500,943
Construction, maintenance and design services	-	-
	468,437	500,943

Contract liabilities include advances received for the provision and distribution of heat, pipeline connection service and construction and maintenance services.

(b) Revenue recognized in relation to contract liabilities

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Provision and distribution of heat	544,003	583,442
Pipeline connection fee	54,233	68,952
Construction, maintenance and design services	329	4,276
	598,565	656,670

(ii) **Performance obligations**

The Group has elected the practical expedient of not disclosing the remaining performance obligation for the provision and distribution of heat and construction, maintenance and design services rendered because the performance obligation is part of a contract that has an original expected duration of one year or less.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Within 1 year	53,975	54,003
Over 1 year	468,437	500,943
	522,412	554,946

The above remaining performance obligations expected to be recognized in more than one year relate to the provision of the pipeline connection and heat metering reform services. The amount disclosed above does not include variable consideration which is constrained.

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Finance costs:		
Interest on interest-bearing bank and other borrowings	4,254	10,793
Interest expenses on lease liabilities	168	93
Foreign exchange loss	2,301	–
Others	402	458
	7,125	11,344
Subtotal	7,125	11,344
Less: Interest capitalized	–	–
	7,125	11,344

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Cost of heat supply	761,032	788,576
Cost of construction, maintenance and design services	<u>513,214</u>	<u>426,909</u>
	<u>1,274,246</u>	<u>1,215,485</u>
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and allowances	103,488	97,246
Contributions to pension plans	17,938	19,449
Housing funds	12,419	11,670
Welfare and other expenses	13,781	13,449
Service cost	<u>567</u>	<u>534</u>
Employee benefit expenses	<u>148,193</u>	<u>142,348</u>
Depreciation*	90,683	89,210
Amortization*	5,122	5,034
Depreciation of right-of-use assets	1,344	879
Interest expenses on lease liabilities (Note 6)	168	93
Auditors' remuneration:		
Audit fee	1,900	1,900
Rental expense - short term**	341	7,158
Maintenance and repair expenses	2,258	479
Loss on disposal of items of property, plant and equipment	-	12
Impairment on financial and contract assets, net	10,215	23,319
Provision for impairment of property, plant and equipment	7,197	401
Provision for impairment of inventories	2,491	-
Bank interest income (Note 5)	(8,489)	(5,412)
Gains from financial assets at fair value through profit or loss (Note 5)	-	(2,307)
Government grants (Note 5)	(16,918)	(11,641)
Foreign exchange losses, net	<u>2,301</u>	<u>-</u>

* The depreciation and amortization, except for depreciation of right-of-use assets, are included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

** The rental expense - short term is included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX EXPENSE

The Group's major components of income tax expense are as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current income tax	51,802	45,555
Deferred tax	(5,469)	(8,949)
	<hr/>	<hr/>
Total tax charge for the year	46,333	36,606
	<hr/> <hr/>	<hr/> <hr/>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit before tax	180,304	139,283
Tax at the statutory tax rate of 25%	45,076	34,821
Effect of lower tax rates of certain subsidiaries	(296)	(30)
Profit attributable to a joint venture	(84)	(375)
Non-deductible expenses	1,936	2,190
Others	(299)	–
	<hr/>	<hr/>
	46,333	36,606
	<hr/> <hr/>	<hr/> <hr/>

The Company's PRC subsidiaries are subject to income tax at 25% on their respective taxable incomes as calculated in accordance with the CIT Law and its relevant regulations (the "Actual Method") except for Heating Engineering Design and Changre Electrical Apparatus, which are qualified as small low-profit enterprises. For the part of annual taxable income less than or equal to RMB1 million, the taxable income should be deducted by 25% and the income tax is 20%; for the part of annual taxable income exceeding RMB1 million but not exceeding RMB3 million, the taxable income should be deducted by 50% and the income tax is 20%.

9. DIVIDENDS

	2019 <i>RMB'000</i>	2018 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.17 per share (2018: nil)	79,339	–

The Board resolved on 30 March 2020 that RMB0.17 per share is to be distributed to the shareholders for the year ended 31 December 2019, subject to approval of the shareholders at the forthcoming annual general meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

10. EARNINGS PER SHARE

The basic and diluted earnings per share amounts for the reporting period were calculated as follows:

	2019 RMB'000	2018 RMB'000
Profit for the year attributable to owners of the Company	133,971	102,677
Weighted average number of ordinary shares		
Basic	379,175,000	350,000,000
Diluted	379,175,000	350,000,000
Earnings per share attributable to owners of the Company (RMB per share):		
Basic	0.35	0.29
Diluted	0.35	0.29

The Company did not have any outstanding shares with potential dilutive effect during the years ended 31 December 2019 and 2018. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

The weighted average number of ordinary shares used to calculate the basic and diluted earnings per share for the year ended 31 December 2019 included the weighted average of 116,700,000 ordinary shares issued in connection with the Company's Listing and the original 350,000,000 ordinary shares.

11. TRADE RECEIVABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade receivables	349,090	224,089
Less: Provision for impairment	(40,135)	(23,941)
	308,955	200,148

Trade receivables were unsecured and non-interest-bearing.

An ageing analysis of the trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Within 1 year	286,361	185,862
Between 1 and 2 years	18,677	12,790
Between 2 and 3 years	3,125	926
Between 3 and 4 years	477	472
Between 4 and 5 years	315	98
Over 5 years	—	—
	308,955	200,148

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
At the beginning of the year	23,941	27,188
Distribution to the Shareholder upon completion of the Reorganization	—	(12,029)
Impairment loss recognized	17,600	10,948
Impairment loss reversed	(1,406)	(2,166)
At the end of the year	40,135	23,941

12. CONTRACT ASSETS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Contract assets arising from construction and maintenance services	213,930	283,334
Less: Provision for impairment	<u>(15,069)</u>	<u>(21,119)</u>
	<u>198,861</u>	<u>262,215</u>

The contract assets primarily relate to the Group's right to consideration for work completed but not billed because the rights are conditioned on the Group's future performance in satisfying the respective performance obligations at the reporting date in respect of construction contracts. Upon completion of construction and acceptance by the customers, the amounts recognized as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Within one year	204,862	271,404
More than one year	<u>9,068</u>	<u>11,930</u>
Total	<u>213,930</u>	<u>283,334</u>

The movements in the loss allowance for impairment of contract assets are as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
At the beginning of the year	21,119	6,630
Impairment loss recognized	–	14,489
Impairment loss reversed	<u>(6,050)</u>	<u>–</u>
At the end of the year	<u>15,069</u>	<u>21,119</u>

13. PREPAYMENTS AND OTHER RECEIVABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Prepayments*	369,538	304,516
Staff advances	571	376
Deposits	1,881	2,696
Due from related parties	–	4,422
Due from the Shareholder	51	4,152
Payment on behalf of other parties	–	12,750
Others	7,575	6,475
	379,616	335,387
Less: Provision for impairment	(142)	(71)
Prepayments*	379,474	335,316

* Prepayments mainly include prepayments for the heat procurement

14. TRADE PAYABLES

An ageing analysis of the trade payables as the end of each reporting period, based on the invoice dates, is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Within 1 year	332,668	144,544
More than one year	65,469	176,270
	398,137	320,814

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
Current						
Bank borrowings - unsecured	4.35%	2020	10,715	-	-	-
Other borrowings - secured	-	-	-	10%	2019	101,000
Other borrowings - unsecured	-	-	-	0-12%	2019	7,000
			<u>10,715</u>			<u>108,000</u>
			10,715			108,000
			RMB'000			RMB'000
Analysed into:						
Within one year				<u>10,715</u>	<u>108,000</u>	
				10,715	108,000	
				RMB'000	RMB'000	
Interest-bearing bank and other borrowings denominated in						
– RMB				<u>10,715</u>	<u>108,000</u>	
				10,715	108,000	

The Group's interest-bearing bank and other borrowings are all with fixed interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Industry Overview

Centralized heating is the main method of heating in Northern China during the cold season (from 20 October of the current year to 6 April of the following year according to the heat supply system). The construction and development of municipal centralized heating is an effective way to develop the PRC's national economy and society to save energy, reduce environmental pollution and practice sustainable development. Rapid urbanization in the PRC resulted the continuous development of the urban gross floor area in Northern China, steadily increase in demand for heat supply and in government investment in construction of heating infrastructure. Growth in centralized heating area in the northern urban areas not only speeds up the development of the heating business, but also efficiently promotes the improvement of the construction, maintenance and design business.

Cogeneration is currently the heating method with the highest overall heat utilization efficiency. It is the basic means for northern cities to support heating service and an important measure to resolve the unreasonable structure of heating source, the imbalance between heat supply and demand and air pollution. The PRC promotes the development of clean heating with the principle of "adopting electricity, natural gas, coal or heat supply as appropriate". Due to the PRC's resource endowment of "being rich in coal but poor in gas and oil", heat supply from cogeneration will occupy the central position of clean heating in the future.

In recent years, the PRC has been active in implementing efficient use of clean energy and eliminating polluting and inefficient small coal-fired boilers. In 2018, the Jilin Provincial Government issued the "Implementation Plan of Jilin Provincial Government to carry out the Three-Year Action Plan for Winning the Blue Sky Defense War (《吉林省落實打贏藍天保衛戰三年行動計劃實施方案》), stipulating that the clean heating rate of the Jilin Province must exceed 42% and thermal coal must occupy over 55% of the total provincial coal consumption by 2020, and basically phasing out all coal-fired boilers of 10 tons or below in cities at county level or above by the end of 2020. The Changchun Municipal Government has been actively promoting the integration of the heat supply industry, eliminating over 50 small coal-fired boilers of 10 tons or below over the previous two years, continuously optimizing the urban heating system and effectively advancing the development of clean heating.

The Clean Heating Plan for Winter in Northern China (2017-2021) (《北方地區冬季清潔取暖規劃(2017-2021)》) issued by the PRC required that the clean heating rate in Northern China be raised to 70% by 2021 and emphasized the acceleration of the clean reform of coal-fired heating facilities, promoting the use of renewable energy for heating, eliminating the burning of bulk coal and speeding up the renovation of old heating pipelines. In response to the national environmental protection requirements, the Group accelerated the renovation of old heating pipelines, continuously optimized the smart heating network system platform and strived to create a new heating model of “smart technology + clean energy” driven by technological innovation and based on energy saving and environmental protection.

II. Business Review

Despite the complex and ever-changing external environment and the increasingly competitive market environment in 2019, the Company adhered to the principle of quality and efficiency-focused and reform and innovation-driven development. The Company actively promoted clean heating development model and optimized the ecosystem of industry chain, aiming to become a more influential heat supply brand. During the reporting period, with the quality of its heating services steadily improving and the scale of its construction, maintenance and design services constantly increasing, the Company achieved a record high in its operating results.

(1) Heat Supply Business

Overview

As of the end of 2019, the Group is the largest heat service provider in Jilin Province. Heat supply is our core business, which has more than 20 years of operating history in Changchun. Since April 2018, the heat supply business of the Group has all adopted the clean heating model of heat procurement from cogeneration plants. Moreover, the adoption of smart heating network system allows us to conduct our heat supply business precisely and efficiently.

As at 31 December 2019, the Group’s heat service area was approximately 39.5 million sq.m., representing an increase of approximately 1 million sq.m. from 38.5 million sq.m. in 2018. As at 31 December 2019, the Group had 320,333 heat supply users, representing an increase of 13,367 from 306,966 users in 2018. For the year ended 31 December 2019, the revenue of the Group from heat supply business amounted to RMB960.7 million, representing an increase of approximately RMB21.2 million, or 2.3%, from RMB939.5 million in 2018.

Customers

Our customers are residential and non-residential end-users located within our heat service area. The table below sets out a breakdown of number of customers and revenue contribution by residential end-users and non-residential end-users in terms of provision and distribution of heat as at the current year.

	As at/for the year ended 31 December			
	2019	2018		
	% of	% of		
	revenue	revenue		
	from	from		
	provision	provision		
	and	and		
	distribution	distribution		
	of heat	of heat		
	Number of	Number of		
	customers	customers		
Residential end-users ⁽¹⁾	285,146	270,130	66.2%	66.5%
Non-residential end-users ⁽²⁾	35,187	36,836	33.8%	33.5%
Total	320,333	306,966	100.0%	100.0%

Notes:

- (1) The number of residential end-users refers to the number of households.
- (2) Non-residential end-users include commercial end-users and other end-users which primarily include industrial end-users and underground parking space end-users.

Heat procurement

The Group's suppliers of heat procurement were local cogeneration plants, namely No. 2 Cogeneration Plant, No. 4 Cogeneration Plant and No. 5 Cogeneration Plant. Commencing from the heat supply period in October 2018, all of the Group's heat demand is satisfied by heat procured from local cogeneration plants. Before the heat supply period of 2019-2020, the heat procurement price was at RMB27.5/GJ (value-added tax (VAT) included) based on the benchmark rate approved by the national and local pricing bureaus and at a rate as agreed by both parties for procured volume that exceeds a certain agreed level.

According to the notice issued by Changchun Municipal Development and Reform Commission on 16 October 2019, starting from the heat supply period of 2019-2020, the ex-factory price of heat supply of the cogeneration enterprises has been adjusted to RMB34/GJ (9% VAT included), and the price mechanism negotiated between the heat generation enterprises and the heat supply enterprises has been cancelled. The voluntary announcement of the Company dated 1 November 2019 stated that based on the assessment made by the Board with reference to the information available, the Company expects that this price adjustment will not have a material impact on its operation and cost during the year.

Heat source

In 2019, the Company continued its operation of clean heating and provided heat supply service through cogeneration covering an area of 39.5 million sq.m. in Changchun. All heat of the Company was procured from three local cogeneration plants, and the distribution pipelines of the Company are the sole heat distribution pipelines connecting heat source from cogeneration plants with the urban area. Through the integrated heat distribution network and effective control under the smart heating network system, the heat efficiency and safety of the Company have been further improved.

The following table sets forth the breakdown of the usage of the Group's heat procurement:

	As at/for the year ended	
	31 December	
	2019	2018
Estimated heat procurement quota (GJ) ⁽¹⁾	19,283,333	18,290,000
Heat procurement quota transferred (GJ) ⁽²⁾	5,655,926	5,825,614
Actual consumption (GJ) ⁽³⁾	14,180,965	12,570,763
Total heat procured ⁽⁴⁾	19,836,891	18,396,377
Utilization rate (%) ⁽⁵⁾	73.5%	68.7%
Heat service area (million sq.m.) ⁽⁶⁾	39.5	38.5

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) We transferred certain portion of procured heat to three other heat service providers. We charged heat transmission fees thereunder.
- (3) Actual consumption of our heat procured represents the aggregate amount of actual supply and consumption data each month as recorded by the measuring equipment and reviewed and agreed by each of three local cogeneration plants 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 supplemental agreements between the cogeneration plants and us. Starting from the heat supply period of 2019-2020, the ex-factory price of heat supply of the cogeneration enterprises has been adjusted to RMB34/GJ (9% VAT included), and the price mechanism negotiated between the heat generation enterprises and the heat supply enterprises has been cancelled.
- (5) Utilization rate of heat procurement is calculated as to the actual consumption divided by estimated heat procurement quota.
- (6) Gross floor areas covered by heat supply includes both the heat service area which we fully and partially charge for our heat fees.

Heat transmission

For the year ended 31 December 2019, approximately 5.3 million GJ of the heat procurement quota the Group obtained from the local cogeneration plants was transferred to three other heat service providers. We received a total heat transmission fee of RMB12.0 million, representing a decrease of 5% from that of last year. Heat supply procured from the local cogeneration plants is first used to satisfy our own needs of heat supply.

Smart heating network system

In 2019, the Company further upgraded its smart heating network system. The system is an integrated platform of operation, management and customer service of smart heating network based on big data analysis and integration of independent platforms, which is mainly divided into three levels:

- (1) In 2019, through the usage of technologies such as cable communication, wireless communication and automatic control in heat exchange stations, the Group continued to strengthen its monitoring and control of heat sources, heat exchange stations, primary distribution pipelines, secondary distribution pipelines, hot water temperature and flowing volume collection points. The automation of production management and heating network tuning after the upgrade has further enhanced efficiency and management level of its heat supply business, thereby achieving the goal of balanced transmission and precise adjustment.
- (2) On the basis of automating control, the production management module established on the smart heating network platform allows the Group to manage its heat distribution and the temperature of heat supplied to the users. With the aim of distributing heat precisely and improving the management of heating area, the production management module strengthens the closed-loop management of heat production adjustment based on SLA (service level agreement), which has further improved the service quality of heat production and developed the best strategy for managing heat supply and energy-saving operation.
- (3) The establishment of a non-linear macro model of hierarchical heating network through big data analysis enables the coordinated control of heat production elements and achieved integrated heat balance of the whole network. The model further analyzes users' needs, satisfaction and other indicators to understand their deep-rooted needs and experience goals. On the basis of such analysis, the operations of production management and heating system are adjusted, thereby increasing management efficiency and enhancing the connection between operations and management and services.

Heat supply emergency repair

In 2019, the Group sent our professional senior technicians abroad to further improve their skills in professional emergency repair and under pressure leak sealing. They have also learnt to use the automated anti-corrosion coating detector to locate pipelines and the new thermal infrared camera to detect underground pipeline leakage, thereby significantly improving the accuracy and efficiency of emergency repair. The application of new technology and equipment effectively shortens the time for locating the leakage and emergency repair, lowers production costs and reduces economic loss. It also allows the Group to strictly implement emergency plans and guarantee that general emergency repairs can be completed within 12 hours while major emergency repairs can be completed within 24 hours.

(2) *Construction, Maintenance and Design Services*

The Group's construction, maintenance and design services cover the peripheral services business of the heat supply industry chain. Our main services include engineering construction, engineering maintenance, design services and electrical and instrument maintenance. These services mainly cover Northeast China. For the year ended 31 December 2019, revenue generated from the Group's construction, maintenance and design services amounted to RMB600.7 million, representing an increase of RMB100.1 million, or 20.0%, from RMB500.6 million in 2018.

1. Engineering construction

For the year ended 31 December 2019, revenue generated from engineering construction amounted to RMB366.4 million, representing an increase of RMB55.5 million, or 17.9%, from RMB310.9 million last year. This was mainly due to the addition of the Three Supplies and Property Management (三供一業) project in Inner Mongolia during the year.

2. *Engineering maintenance*

For the year ended 31 December 2019, revenue generated from engineering maintenance amounted to RMB220.8 million, representing an increase of RMB47.7 million, or 27.6%, from RMB173.1 million last year. This was mainly due to the revenue recognized in 2019 for undertaking the centralized heat supply project in Longjia of the metro company, the centralized heat supply project in Tumen and the renovation work of the heating and water supply systems for the Three Supplies and Property Management (三供一業) project of Road & Bridge International Co., Ltd.* (中交路橋公司) and Sinohydro Bureau 1 Co., Ltd.* (中國水利水電第一工程局有限公司) in 2019.

3. *Design services*

For the year ended 31 December 2019, revenue generated from design services amounted to RMB9.7 million, representing a decrease of RMB6.4 million, or 39.8%, from RMB16.1 million last year. The decrease in revenue in 2019 was mainly due to most of the Three Supplies and Property Management design project had already been completed in 2018.

(3) *Safety Management*

The Group paid close attention to safety by continuously enhancing safety management, maintaining equipment quality and improving intelligent management level to ensure safe and stable operation of each business. The Group actively promoted the standardization of production safety, applying for and passing the Second-Class Enterprise in Production Safety Standardization assessment conducted by State Administration of Work Safety in 2019. Through the optimization of operational procedures, elimination of potential safety hazards and unification of safety signs, the safety management level has been enhanced as a whole to ensure a stable safety environment of the Company. During the reporting period, there were no major safety accidents in the Group.

(4) *Social Responsibility*

In 2019, the Group actively responded to the national call, devoting to providing heat supply service for our 320 thousand heat supply customers (including residential and non-residential users located within our heat service area), effectively maintaining social stability.

The Group attaches great importance to environmental protection during heat supply operation and upholds the principle of sustainable development. The Group ensures our level of environmental protection is in compliance with national standards through strengthening the construction of environmental protection facilities and implementing measures in terms of reasonable resource utilization, energy conservation and waste management.

As a state-owned enterprise, the Group has also fulfilled its social responsibilities of local job creation and tax contribution.

(5) Honors and Awards

In May 2019, the Design Company was awarded the “Little Giant Enterprises in Jilin Province Science and Technology” (吉林省科技小巨人企業) by the Department of Science and Technology of Jilin Province, Department of Industry and Information Technology of Jilin Province and Department of Finance of Jilin Province. In September 2019, it was awarded the “High-tech Enterprise” (高新技術企業) status by the Department of Science and Technology of Jilin Province, Department of Finance of Jilin Province and Jilin Provincial Tax Service, State Taxation Administration. In December 2019, it was awarded the “Little Giant Enterprises in Changchun Science and Technology” (長春市科技小巨人企業) by the Changchun Science and Technology Bureau.

(6) Technology and Research and Development

In March 2019, the Design Company was awarded the invention patent of “Energy Storage Wall with Heating and Cooling Functions” (一種具有供暖和降溫功能的蓄能牆體) by the National Intellectual Property Administration.

In May 2019, the Group obtained the “Software Copyright” (軟件著作權) for its self-developed “Chuncheng Heating Smart Customer Service Management System” (春城熱力智能客服管理系統) from the National Copyright Administration of the PRC. In July 2019, the Group obtained the “Copyrights” (著作權) from the National Copyright Administration of the PRC for all of its management systems V1.0 in terms of equipment, technical information, vehicle, tool and special occupation. In September 2019, the Group obtained the “Software Copyrights” from the National Copyright Administration of the PRC for its “Chuncheng Heating Duty Scheduling System Software V1.0” (春城熱力值班調度系統軟件V1.0), “Chuncheng Heating Power Consumption Analysis and Evaluation System Software V1.0” (春城熱力能耗分析考核系統軟件V1.0) and “Chuncheng Heating Production Reporting System Software V1.0” (春城熱力生產報表系統軟件V1.0).

In December 2019, the Electrical Apparatus Company obtained the “Computer Software Copyright Registration Certificates” (計算機軟件著作權登記證書) from the National Copyright Administration of the PRC for its “Electrical Apparatus Company Personal Performance Appraisal System V1.0” (電氣儀表公司生產人員個人績效考核系統V1.0), “Chuncheng Heating Instrument Maintenance Management System V1.0” (春城熱力儀表檢修管理系統V1.0), “Chuncheng Heating Instrument Inverter Maintenance Statistical Analysis System V1.0” (春城熱力儀表變頻器檢修統計分析系統V1.0), “Chuncheng Heating Instrument Inverter Maintenance Management System V1.0” (春城熱力儀表變頻器檢修管理系統V1.0).

III. Financial Review

1. Revenue

The Group's revenue increased by 8.4% to RMB1,561.4 million in 2019 as compared with RMB1,440.2 million in 2018, primarily due to the increase in the Group's heat supply business and construction, maintenance and design business. (i) Revenue of heat supply business increased by 2.3% to RMB960.7 million in 2019 as compared with RMB939.5 million in 2018, primarily due to the increase in heat supply area of the Group and the reduction in VAT rate for the heat supply industry during the period; (ii) revenue of construction, maintenance and design business increased by 20.0% to RMB600.7 million in 2019 as compared with RMB500.6 million in 2018, primarily because the Group undertook the ongoing Three Supplies and Property Management. The increase in revenue was due to more projects undertaken by the Group in 2019 than 2018.

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

	2019	2018	Change
	RMB'000	RMB'000	percentage
Heat supply, of which:			
– Provision and distribution of heat	894,540	875,399	2.2%
– Pipeline connection fee	54,233	51,522	5.3%
– Heat transmission	11,951	12,601	(5.2%)
Subtotal	960,724	939,522	2.3%
Construction, maintenance and design services, of which:			
– Engineering construction	366,412	310,928	17.8%
– Engineering maintenance	220,774	173,063	27.6%
– Design services	9,743	16,051	(39.3%)
– Others	3,762	595	532.3%
Subtotal	600,691	500,637	20.0%
Total	1,561,415	1,440,159	8.4%

2. *Other Income and Gains*

In 2019, the Group's other income and gains increased by 25.2% to RMB26.3 million as compared with RMB21.0 million in 2018, primarily due to (i) the government grants for small boiler rooms recognized as other income during the year of RMB16.9 million, representing an increase of 45.7% from RMB11.6 million in 2018; (ii) the increase in bank deposits as a result of successful financing from the Listing and an increase in the heat fee refund during the year, thereby receiving an interest income from bank deposits of RMB8.5 million, representing an increase of 57.4% from RMB5.4 million in 2018; (iii) no gains on financial assets at fair value through profit or loss recognised as there was no investment in financial assets at fair value during the year, representing a decrease of 100% from RMB2.3 million in 2018.

3. *Cost of Sales*

In 2019, the Group's cost of sales increased by 4.8% to RMB1,274.2 million as compared with RMB1,215.5 million in 2018.

The following table sets out a breakdown of the cost of sales by business segment:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>	Change percentage
Cost of sales by business segment			
Heat supply	761,032	788,576	(3.5%)
Construction, maintenance and design services	513,214	426,909	20.2%
Total	<u>1,274,246</u>	<u>1,215,485</u>	<u>4.8%</u>

Heat supply costs

Cost of sales for heat supply business primarily consists of heat procurement costs in connection with heat procurement from the local cogeneration plants, cost of purchase of coal for heat produced by coal-fired boilers, maintenance and repair, labor cost which primarily includes wages, salaries and benefits for our employees involved in provision and distribution of heat and utility cost.

The breakdown of cost of sales by component for the heat supply business is as follows:

	2019	2018	Change
	RMB'000	RMB'000	percentage
Cost of sales for heat supply			
Heat procurement cost	421,103	312,820	34.6%
Coal	–	114,832	(100.0%)
Maintenance and repair	70,194	61,315	14.5%
Labor	84,820	94,123	(9.9%)
Depreciation and amortization	86,484	85,376	1.3%
Utility	53,590	54,788	(2.2%)
Input VAT transferred out	30,246	40,362	(25.1%)
Others	14,595	24,960	(41.5%)
Total	<u>761,032</u>	<u>788,576</u>	<u>(3.5%)</u>

In 2019, the Group's heat procurement cost increased by 34.6% to RMB421.1 million as compared with RMB312.8 million in 2018, primarily due to (i) an increase in the heat supply area and the costs of heat procurement from cogeneration plants in 2019. The rise in heat procurement cost was because the heat supply for all areas originally produced by coal-fired boilers was replaced by heat procurement from cogeneration plants and the heat supply area increased. Moreover, since the second half of 2019, the unit price of heat (tax included) of No. 2 Cogeneration Plant and No. 4 Cogeneration Plant has raised to RMB34/GJ from RMB27.5/GJ with an increase of RMB6.5/GJ. (ii) As the Group has fully ceased heat production by coal-fired boilers and relies solely on heat procured from local cogeneration plants, the Group has no longer recorded coal costs since October 2018 and had nil coal costs in 2019.

In 2019, the Group's maintenance and repair costs increased by 14.5% to RMB70.2 million as compared with RMB61.3 million in 2018, primarily due to the additional RMB8.3 million for No. 5 Cogeneration Plant's compensator replacement project in 2019.

In 2019, the Group's labor cost decreased by 9.9% to RMB84.8 million as compared with RMB94.1 million in 2018, primarily because (i) the reduction in employees responsible for the fuel management facility which has ceased operation as the Company has fully adopted the operation of heat supply procured from cogeneration plant since October 2018; (ii) the decrease in provisions for social insurance (e.g. from 20% to 16% for pension insurance program).

In 2019, the Group's input VAT transferred out decreased by 25.1% to RMB30.2 million as compared with RMB40.4 million in 2018, primarily due to the decrease in undivided input VAT during the year as a result of a reduction in tax rates and decrease in the proportion of input VAT transferred out.

Costs of construction, maintenance and design services

Cost of sales for construction, maintenance and design services primarily consists of cost of materials, labor, machinery and other costs. In 2019, the cost of sales for construction, maintenance and design services increased by 20.2% to RMB513.2 million as compared with RMB426.9 million in 2018. The increase in cost of this business was generally in line with the increase in revenue.

4. Gross Profit and Gross Profit Margin

In 2019, the Group's gross profit increased by 27.8% to RMB287.2 million as compared with RMB224.7 million in 2018. In 2019, the Group's gross profit margin increased by 2.8% to 18.4% as compared with 15.6% in 2018. This was mainly due to the replacement of all heat supply produced by coal-fired boilers by heat source from cogeneration plants and the increase in construction projects, thus leading to a rise in gross profit and gross profit margin.

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

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,561,415	1,440,159
Cost of sales	1,274,246	1,215,485
Gross profit	<u>287,169</u>	<u>224,674</u>
Gross profit margin	<u>18.4%</u>	<u>15.6%</u>

5. Selling Expenses

In 2019, the Group's selling expenses increased by 100% to RMB2.4 million from nil in 2018, primarily due to the advertising expenses of the Group during the year for promoting its business.

6. *Administrative Expenses*

In 2019, the Group's administrative expenses increased by 43.5% to RMB103.9 million as compared with RMB72.4 million in 2018, primarily due to (i) the addition of management personnel of the Company; and (ii) the rise in office expenses due to the Group's Listing in Hong Kong.

7. *Finance Costs*

In 2019, the Group's finance costs decreased by 37.2% to RMB7.1 million as compared with RMB11.3 million in 2018, primarily due to (i) the loan repayment of the Group in 2019; (ii) the exchange loss arising from the change in exchange rate at various points in time for funds raised in Hong Kong dollars.

8. *Share of Profits and Losses of a Joint Venture*

In 2019, the Company's share of profits of FAW Sihuan, a joint venture of the Group, decreased by 80.0% to RMB0.3 million as compared with RMB1.5 million in 2018, mainly due to in 2019, the electricity sales business of Hengxin Electricity, a subsidiary of FAW Sihuan, shrank due to the relocation policy in the region in which it operates, resulting in a decrease in its operating profit.

9. *Income Tax Expense*

In 2019, the Group's income tax expense increased by 26.5% to RMB46.3 million as compared with RMB36.6 million in 2018, mainly due to the increase in taxable income as calculated in accordance with the Enterprise Income Tax Law and its relevant regulations.

10. *Profit for the Year*

In 2019, the Group's profit increased by 30.5% to RMB134.0 million as compared with RMB102.7 million in 2018, mainly due to (i) the increase in gross profit and gross profit margin for heat supply business; (ii) the increase in revenue scale despite of similar gross profit margin compared to last year for construction, maintenance and design services during the year.

11. Profit Attributable to the Owners of the Company

In 2019, the Group's profit attributable to the owners of the Company increased by 30.5% to RMB134.0 million as compared with RMB102.7 million in 2018. As the Group is the 100% holding company of the consolidated subsidiaries, the profit attributable to the owners of the Company was consistent with that of the net profit.

12. Liquidity and Capital Resources

The Group's cash and cash equivalents increased by 95.0% to RMB699.9 million as at 31 December 2019 as compared with the balance of RMB358.9 million as at 31 December 2018, primarily due to (i) the increase in operating revenue of the Company by 8.4%, the net cash inflow from operating activities of RMB274.8 million; (ii) the proceeds from the Listing of RMB248.0 million in the year. The main sources of the Group's operating capital include: (i) unutilized banking facilities of approximately RMB489.3 million as at 31 December 2019; (ii) cash and cash equivalents of approximately RMB699.9 million.

As at 31 December 2019, the Group's borrowings decreased by 90.1% to RMB10.7 million as compared with RMB108.0 million as at 31 December 2018, of which RMB10.7 million was short-term borrowings and there were no long-term borrowings.

13. Capital Expenditure

The Group's capital expenditure decreased by 74.3% to RMB56.5 million in 2019 as compared with RMB219.7 million in 2018. The decrease of capital expenditure mainly comprises of newly built pipeline network in 2019 and reduction in expenses for the purchase of equipment compared to 2018.

14. Capital Structure

As at 31 December 2019, the equity attributable to owners of the Company increased by RMB338.1 million to RMB840.5 million compared to 31 December 2018, primarily because (i) 116,700,000 shares are newly issued, which increased the share capital by RMB116.7 million and the share premium by RMB87.5 million; (ii) factors like annual comprehensive income increased the retained earnings to RMB134.0 million.

The distribution of the proposed 2019 dividend is subject to the approval by the shareholders of the Company at the 2019 annual general meeting.

As at 31 December 2019, 466,700,000 Shares were issued by the Group, including 116,700,000 H Shares. The total market capitalization and H share market capitalization of the Company was HK\$1,092.1 million and HK\$273.1 million respectively (calculated based on the closing price of HK\$2.34 per share of the Company on the Hong Kong Stock Exchange on 31 December 2019).

IV. Use of Proceeds from the Listing

The H Shares of the Company were listed on the Stock Exchange on 24 October 2019. The net proceeds from the Listing were approximately HK\$220.5 million (equivalent to approximately RMB199.4 million) (after deducting Listing expenses), which are intended to be utilized in the manner as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company (the “Prospectus”) dated 27 September 2019.

Up to 31 December 2019, an aggregate amount of approximately HK\$24.0 million (equivalent to approximately RMB21.5 million) of the net proceeds were utilized for the Group’s heat service area expansion to grow our heat supply business, including necessary construction of primary distribution pipelines and heat supply facilities required thereunder. As at 31 December 2019, the remaining balance of the proceeds from the Listing were approximately HK\$196.5 million (equivalent to approximately RMB176.2 million) and are intended to be utilized in the manner consistent with the proposed allocations.

Use of proceeds disclosed in the Prospectus	Intended use <i>HK\$’000</i>	% of net proceeds	Amount utilized up to 31 December 2019 <i>HK\$’000</i>	Amount unutilized as at 31 December 2019 <i>HK\$’000</i>
Further increasing the level of automation in heat supply business	90,426	41%	–	90,426
Upgrading and replacement of existing primary distribution pipelines and heat supply facilities	90,426	41%	–	90,426
Heat service area expansion to grow our heat supply business	28,672	13%	24,022	4,650
Potential acquisitions of heat service companies and heat service area	11,027	5%	–	11,027
Total	220,551	100%	24,022	196,529

The use or proposed use of proceeds from the Listing is in line with the plans previously disclosed by the Company and there have been no material changes or delays.

V. Risk Factors and Risk Management

1. Industry Risk

Heating industry to a certain extent is affected by industrial policies of the PRC. Aspects such as heat procurement price, heat rate and construction fee are subject to policy regulation and supervision of the government. In addition, the pricing of the Company's engineering construction, design and maintenance services are also regulated by the government. Any changes to relevant laws and regulations may have an impact on the operation of the Company.

The Group will tap into its potential, tighten its cost control measures, enhance the level of intelligent technology as well as consolidate and strengthen its competitiveness to be prepared for any changes in the heating industry.

2. Policy Risk

According to the Provisional Regulations on VAT of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council in 2017 and the Extension of Notice relating to Preferential Policies for VAT, Real Estate Tax and Urban Land Use Tax for Heat Supply Enterprises (《關於延續供熱企業增值稅、房產稅、城鎮土地使用稅優惠政策的通知》) released by the Ministry of Finance and the State Administration of Taxation in 2019, VAT, real estate tax, land use tax and urban land use tax for heat supply enterprises in “Three North” regions (including Jilin Province) enjoy preferential policies. Any changes to the relevant policies will affect the Company's financial condition. In addition, the Group strictly complies with the national and local environmental protection regulations in the PRC. Should the PRC impose more stringent standards regarding environmental protection policies in the future, the Group may need to upgrade existing technologies and facilities to meet the regulatory requirements, thus incur additional costs.

The Group will continuously keep track of relevant policy developments, analyze the impact of any changes thereof and make use of the policies reasonably.

3. Climate Risk

Heat supply is the Group's core business and is subject to climatic conditions during the heat supply period. Higher level of heat consumption is required for the purpose of maintaining a desired in-room temperature in colder heat supply period as the outdoor temperature is generally lower. Higher heat consumption in turn increases the demand for heat procurement from cogeneration plants, which then increases the overall costs in heat supply, and vice versa.

In response to the risk of climate change, the Group adopts an intelligent remote control system to balance heat distribution.

4. *Exchange Risk*

Proceeds from the Listing of the Group are denominated in Hong Kong dollars while the actual place of operation is in mainland China. The proceeds may be settled according to the Group's intended use and the change in the exchange rate. Any exchange rates fluctuations may affect the exchange gains and losses of the Group and be reflected in the changes in finance costs on the accounts.

Currently, the Group does not use any derivative financial instruments to hedge its foreign currency risk.

VI. Other Significant Events

Significant Investments

The Group did not have any significant investments for the year ended 31 December 2019.

Material Acquisitions and Disposals

The Group did not have any material acquisitions and disposals for the year ended 31 December 2019.

Capital Commitment and Contingent Liabilities

The Group did not have any significant capital commitments and contingent liabilities as at 31 December 2019.

Charge on Assets

There was no material charge on the Group's assets as at 31 December 2019.

Employees and Remuneration Policies

As at 31 December 2019, the Group had 1,081 employees, all based in the PRC. In 2019, 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 based on both position value and performance appraisals helps motivate employees' contribution and dedication to the Group.

In 2019, the Group organized 5 management and operation trainings and constantly held technical skills competitions with an aim to enhance employee's skills by way of competition instead of practice. A total of 437 front-line technical workers took part in the competitions.

All employees' relations management 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. On 5 November 2019, the Group had passed the on-site special audit conducted by Zhongpeng Certified Public Accountants Firm Co., Ltd. Jilin Branch* (中鵬會計事務所有限公司吉林分所), which was commissioned by the Social Medical Insurance Bureau of Changchun City* (長春市社會醫療保險局).

VII. Future Prospects

The continuous advancement of urbanization in the PRC provides greater development opportunities for the centralized heating market. Meanwhile, the application and promotion of new energy heating technology, scientific and technological innovation and integration of intelligent features have revitalized the heating industry and created new opportunities for the development of the Group's heat supply and other business segments. In 2020, the Group will continue to develop its heat supply business and focus on scientific and technological innovation, technological upgrade and clean energy development. The Group will also strive to expand its assets scale and leverage its advantages in the industrial chain to consolidate its leading position in the industry and achieve outstanding results for the sustainable development of the Company.

(1) Prospects of the Heat Supply Business

The PRC government is proactively carrying out reform of the heat supply system. Large local enterprises are encouraged to facilitate the consolidation of the heat supply industry, actively promote the development of clean heating, eliminate obsolete production capacity and look for higher quality development. As the largest heat supply company in Jilin Province, the Group will make full use of the service coverage in its heat supply business, facilitate industrial consolidation and expand the scale of its core businesses in order to further secure its leading position in the industry.

Meanwhile, the Group will increase its investment in scientific and technological innovation as well as technology research and development, encourage in-house research and development projects and apply such results into its business operation. With the use of technologies such as intelligent integrated network, 5G transmission and big data analysis, the Group will further expand the functions of its smart heating network system to be efficiently applied to each sector of operations including heat production and operation adjustment. The Group will also strive to lower its production and operation costs and increase heat utilization efficiency, thereby boosting its business performance.

In addition, we will exert efforts in the application and promotion of new energy heating technologies. Through in-depth analysis of the cost curve of new energy heating technology, the Group will develop the most cost-effective new energy heating model based on local conditions to create new profit growth points for the Company while implementing clean production to “win the blue sky defense war”.

(2) *Prospects of the Construction, Maintenance and Design Business*

In recent years, the PRC government has been continuously increasing the construction of heating infrastructure and optimizing the business environment for centralized heating in northern China. This provides excellent development potential for the Group’s construction, maintenance and design business and contributed to the year-on-year growth of our operation results. In 2020, we plan to further enhance the service quality and standard of our construction, maintenance and design business. On the basis of our existing business, we plan to increase our professional qualifications and business scale, build our brand reputation and fully exert our competitive edge in the industrial chain of heating service to expand market share, laying a solid foundation for the business development of our heat supply business.

The Group will also improve its corporate governance structure, strengthen internal control and management and raise risk prevention awareness. We will also capture every business development opportunity and endeavor to raise our core competitiveness so as to reward our Shareholders with excellent results.

Events after the Reporting Period

There were no other important events or transactions affecting the Group from 31 December 2019 to the date of this announcement.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities or redeemable securities for the year ended 31 December 2019.

Convertible Securities, Options, Warrants or Similar Rights

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercised any conversion or subscription rights under any convertible securities, options, warrants or 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 2019, neither the Company nor its subsidiaries had issued any bonds.

Compliance with Corporate Governance Code

As a company listed on the Stock Exchange, the Company is committed to maintaining high standards of corporate governance. During the period from the Listing Date on 24 October 2019 to 31 December 2019, the Company has complied with the code provisions in the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules.

Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct and rules governing dealings by all of our Directors and supervisors (“Supervisors”) in the securities of the Company. Having made specific enquiry of 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 period from the Listing Date on 24 October 2019 to 31 December 2019. 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 the Model Code.

The Board will examine the corporate governance practices and operation of the Company from time to time so as to ensure the compliance with relevant requirements under the Listing Rules and to protect Shareholders’ interests.

Review of Annual Results

The Company established the audit committee of the Company (the “Audit Committee”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Mr. Poon Pok Man, Mr. Liu Changchun and Mr. Wang Yuguo. Mr. Poon Pok Man is the chairman of the Audit Committee. The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2019.

Scope of Work of Ernst & Young

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group’s external auditor, Ernst & Young to the amounts set out in the Group’s audited consolidated financial statements for the year.

Final Dividend

The Board resolved to propose to the shareholders of the Company at the AGM to be held on 27 May 2020, for their consideration and approval of the payment of a final dividend of RMB0.17 per share (tax inclusive) for the year ended 31 December 2019 (the “2019 Final Dividend”) payable to the shareholders of the Company, whose names appear on the register of members of the Company on 8 June 2020, in an aggregate amount of approximately RMB79.34 million. The 2019 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 2019 Final Dividend are expected to be paid on or around 7 July 2020.

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 2019 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 8 June 2020.

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 whose country of domicile is a country which has 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 duly submit the form as a schedule for withholding declaration to the competent tax authority pursuant to the provisions of domestic tax laws and tax treaty. 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 register of members of the Company on 8 June 2020 (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 Monday, 1 June 2020. 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 representative to attend to the procedures in accordance with the requirements under the tax treaty notice if they do not 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.

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 provisions of the PRC in relation to foreign exchange administration.

The Company was not aware of any shareholders who had waived or agreed to waive any dividend arrangement for the year ended 31 December 2019.

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 2019 Final Dividend, the register of members of the Company will be closed from 25 April 2020 to 27 May 2020 (both days inclusive) and from 2 June 2020 to 8 June 2020 (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 24 April 2020.

In order to be entitled to the proposed 2019 Final Dividend (subject to the approval by the Shareholders 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 the address abovementioned for registration not later than 4:30 p.m. on 1 June 2020.

Publication of Results on the Websites of the Stock Exchange and the Company

This announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.cc-tp.com.cn>). The 2019 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 2019 to be held on Wednesday, 27 May 2020 or any adjournment thereof
“Board”	the board of Directors 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), which was incorporated in the PRC on 23 October 2017 and is a joint stock limited liability company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Corporate Governance”	the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Shareholder(s)”	the shareholder(s) of the Company
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic ordinary share(s) in the Company’s registered capital with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and held by PRC nationals or PRC incorporated entities, and are not listed or traded on any stock exchange
“Listing”	the listing of the H Shares of the Company on the main board of the Stock Exchange of Hong Kong
“Changchun Heating Group”	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
“Design 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
“Electrical Apparatus Company”	Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱電氣儀表有限公司), a wholly-owned subsidiary of the Company
“Runfeng Installation Company”	Changchun City Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限責任公司), a wholly-owned subsidiary of the Company
“Maintenance Service Company”	Jilin Province Changre Maintenance Service Company Limited* (吉林省長熱維修實業有限公司), a wholly-owned subsidiary of the Company
“Pipelines Transmission Company”	Jilin Province Changre Pipelines Transmission Company Limited* (吉林省長熱管網輸送有限公司), a wholly-owned subsidiary of the Company
“Biomass Company”	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

“FAW Sihuan”	Changchun FAW Sihuan Kinetic Company Limited* (長春一汽四環動能有限公司), a joint venture company in which the Company held 50% equity interest
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“RMB”	the lawful currency of the PRC
“Hong Kong dollars” or “HK\$”	the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“heat service area”	gross floor areas covered by heat supply, including both the heat service area which we fully and partially charge for our heat fees
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 per share
“H Share(s)”	the ordinary share(s) in issue 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

“No. 2 Cogeneration Plant”	Datang Changchun No. 2 Thermoelectricity Limited* (大唐長春第二熱電有限責任公司), Changchun Thermoelectricity Development Company Limited* (長春熱電發展有限公司) (deregistered), Datang Jilin Power Generation Co., Ltd. Heating Branch* (大唐吉林發電有限公司熱力分公司), subsidiaries and branch of their holding company Datang Jilin Power Generation Co., Ltd.* (大唐吉林發電有限公司), which are independent third parties and primarily engaged in power generation and heating generation businesses, and where the context requires, the cogeneration plant operated, individually or collectively by the above
“No.4 Cogeneration Plant”	Huaneng Jilin Energy Sales Co., Ltd.* (華能吉林能源銷售有限公司) and Changchun thermal power plant of Huaneng Jilin Power Generation Co., Ltd.* (華能吉林發電有限公司長春熱電廠), the wholly-owned subsidiary and branch of Huaneng Jilin Power Generation Co., Ltd.* (華能吉林發電有限公司), which are independent third parties and primarily engaged in power generation and heat generation businesses, and where the context requires, the cogeneration plant operated, individually or collectively by the above
“No. 5 Cogeneration Plant”	Jilin Electric Power Co., Ltd. Changchun Thermoelectricity Branch* (吉林電力股份有限公司長春熱電分公司), principally engaged in electricity supply and heat production, which is an independent third party
“Three Supplies and Property Management”	heat supply, water supply, electricity supply and property management services
“%”	Percent

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

Jilin, 30 March 2020

As of the date of this announcement, the non-executive directors of the Company is Mr. Liu Changchun (Chairman); the executive director 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