

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)

2021 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- The revenue for the six months ended 30 June 2021 was RMB881,825.2 thousand, representing an increase of 40.06% over the comparative figure of 2020
- The profit before tax for the six months ended 30 June 2021 was RMB156,957.3 thousand, representing an increase of 29.22% over the comparative figure of 2020
- The net profit attributable to equity holders of the Company for the six months ended 30 June 2021 was RMB117,451.6 thousand, representing an increase of 31.12% over the comparative figure of 2020
- Earnings per share for the six months ended 30 June 2021 was RMB0.25, representing an increase of RMB0.06 over the comparative figure of 2020

The Board is pleased to announce the unaudited interim combined results of the Group for the six months ended 30 June 2021, which were prepared in accordance with the ASBEs. These unaudited interim combined results had been reviewed by the audit committee of the Company.

FINANCIAL INFORMATION

(presented in RMB unless otherwise stated)

COMBINED STATEMENT OF FINANCIAL POSITION

Item	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
CURRENT ASSETS:			
Monetary fund		165,149,198.06	732,404,368.33
Financial assets at fair value through profit or loss		–	–
Held-for-trading financial assets		50,000,000.00	50,000,000.00
Derivative financial assets		–	–
Bills receivable		–	222,510.02
Trade receivables	9	233,146,293.10	267,095,015.96
Trade receivables financing		51,889,591.34	125,254,548.10
Prepayments		16,532,471.42	449,878,210.82
Other receivables		1,502,811.77	1,438,269.57
Inventories		11,442,408.32	11,840,378.51
Contract assets		110,799,745.91	234,144,626.02
Assets held-for-sale		–	–
Non-current assets due within one year		–	–
Other current assets		23,483,916.61	4,482,464.04
TOTAL CURRENT ASSETS		663,946,436.53	1,876,760,391.37

Item	<i>Note</i>	30 June 2021 (Unaudited)	31 December 2020 (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		7,733,625.00	7,870,252.37
Fixed assets		1,037,379,515.40	1,095,061,108.53
Construction-in-progress		28,369,842.33	34,512,027.00
Productive biological assets		–	–
Oil and gas assets		–	–
Right-of-use assets		1,101,026.72	1,327,022.64
Intangible assets		3,997,593.71	3,963,386.97
Development costs		–	–
Goodwill		167,112,355.37	167,112,355.37
Long-term deferred expenditures		3,512,107.97	6,072,387.29
Deferred income tax assets		39,387,658.58	37,688,472.23
Other non-current assets		207,300.00	–
TOTAL NON-CURRENT ASSETS		1,288,801,025.08	1,353,607,012.40
TOTAL ASSETS		1,952,747,461.61	3,230,367,403.77

Item	<i>Note</i>	30 June 2021 (Unaudited)	31 December 2020 (Audited)
CURRENT LIABILITIES:			
Short-term borrowings		2,617,862.53	–
Financial liabilities at fair value through profit or loss		–	–
Held-for-trading financial liabilities		–	–
Derivative financial liabilities		–	–
Bills payable		–	–
Trade payables	10	183,531,406.95	628,309,703.61
Advances		–	26,666.67
Contract liabilities		569,700,169.74	1,453,413,650.51
Salaries payable		4,094,879.84	32,336,488.23
Taxes and surcharges payable		31,946,100.31	71,439,085.69
Other payables		87,025,164.29	31,602,945.89
Liabilities held for sale		–	–
Non-current liabilities due within one year		762,715.29	776,982.33
Other current liabilities		279.62	5,322,271.63
TOTAL CURRENT LIABILITIES		879,678,578.57	2,223,227,794.56

Item	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
NON-CURRENT LIABILITIES:			
Long-term borrowings		–	–
Bonds payable		–	–
Of which: Preference Shares		–	–
Perpetual bonds		–	–
Lease liabilities		710,114.60	695,847.56
Long-term payables		2,775,074.00	2,775,074.00
Long-term salaries payable		27,184,416.86	27,710,000.00
Estimated liabilities		350,000.00	350,000.00
Deferred income		53,132,303.55	55,339,935.37
Deferred income tax liabilities		39,136,163.54	42,122,859.33
Other non-current liabilities		–	–
TOTAL NON-CURRENT LIABILITIES		123,288,072.55	128,993,716.26
TOTAL LIABILITIES		1,002,966,651.12	2,352,221,510.82
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		86,540,116.46	86,540,116.46
Less: Treasury stock		–	–
Other comprehensive income		–618,857.10	–618,857.10
Special reserves		10,399,314.21	8,145,911.11
Surplus reserve		31,277,344.38	31,277,344.38
Undistributed profits		355,482,892.54	286,101,378.10
Total owners' equity (or Shareholders' equity) attributable to the parent company		949,780,810.49	878,145,892.95
Minority interests			
TOTAL OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)		949,780,810.49	878,145,892.95
TOTAL LIABILITIES AND TOTAL OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)		1,952,747,461.61	3,230,367,403.77

(The accompanying notes to financial statements form an integral part of these combined financial statements.)

COMBINED INCOME STATEMENT

Item	<i>Note</i>	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
I. TOTAL OPERATING INCOME	3	881,825,161.87	629,595,606.41
Less: Operating costs	3	671,859,876.82	476,560,030.98
Taxes and surcharges		2,796,649.89	1,583,133.61
Selling expenses		–	18,670.32
Administrative expenses	4	49,609,496.82	44,337,591.02
Research and development expenses		898,082.67	–
Finance costs	5	-1,069,335.06	-8,208,867.88
Of which: Interest charges		6,704,733.20	807,921.39
Interest income		-7,313,118.60	-6,441,682.55
Add: Other income		2,571,906.32	1,383,161.30
Investment income (presented by a “-” for loss)		–	-2,777,577.11
Of which: Investment income from associates and joint ventures		–	–
Gain on derecognition of financial assets measured at amortized cost		–	–
Net gain from hedging exposure (presented by “-” for loss)		–	–
Gain on changes in fair value (presented by “-” for loss)		–	–
Credit impairment loss (presented by “-” for loss)		-12,096,505.84	-586,917.41
Impairment loss on assets (presented by “-” for loss)		4,234,756.81	6,039,557.68
Gain on disposal of assets (presented by “-” for loss)		–	–
II. OPERATING PROFIT (PRESENTED BY “-” FOR LOSS)		152,440,548.02	119,363,272.82
Add: Non-operating income		4,729,710.21	2,101,244.80
Less: Non-operating expenses		212,973.42	–
III. TOTAL PROFIT (PRESENTED BY “-” FOR LOSS)		156,957,284.81	121,464,517.62
Less: Income tax expenses	5	39,505,670.37	31,889,273.63

Item	Note	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
IV. NET PROFIT (PRESENTED BY “-” FOR LOSS)	5	117,451,614.44	89,575,243.99
(I) Classified by continuity of operation:			
Net profit from continuing operation		117,451,614.44	89,575,243.99
Net profit from discontinued operation		-	-
(II) Classified by ownership:			
Net profit attributable to owners of the parent company		117,451,614.44	89,575,243.99
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		-	-
2. Other comprehensive income that may not be transferred to profit or loss under the equity method		-	-
3. Changes in fair value of other equity instrument investments		-	-
4. Changes in fair value of the enterprise’s own credit risk		-	-
5. Others		-	-
(II) Other comprehensive income that may be reclassified to profit or loss		-	-
1. Other comprehensive income that may be transferred to profit or loss under the equity method		-	-
2. Changes in fair value of other debt investments		-	-
3. Changes in fair value of available-for-sale financial assets		-	-
4. Amounts of financial assets reclassified to other comprehensive income		-	-

Item	<i>Note</i>	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
5. Profit or loss from held-to-maturity investments reclassified to available-for-sale financial assets		-	-
6. Credit impairment provision for other debt investments		-	-
7. Reserves for cash flow hedges (effective portion of profit or loss from cash flow hedges)		-	-
8. Differences on foreign currency translation		-	-
9. Others		-	-
Other comprehensive income attributable to minority Shareholders, net of tax			
VI. TOTAL COMPREHENSIVE INCOME		117,451,614.44	89,575,243.99
Total comprehensive income attributable to owners of the parent company		117,451,614.44	89,575,243.99
Total comprehensive income attributable to minority Shareholders		-	-
VII. EARNINGS PER SHARE:			
Basic earnings per share	7	0.25	0.19
Diluted earnings per share		0.25	0.19

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.” 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. The registered office of the Company is located at Block 28 (Hong Cheng Xiyu), Area B, Nanhu Avenue Community, 998 Nanhu Avenue, Nanguan District, Changchun, Jilin Province, the PRC.

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

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

The Controlling Shareholder of the Company is Changchun Heating Group, a company established and 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). The interim condensed consolidated financial information is presented in RMB, unless otherwise stated.

2. PRINCIPAL ACCOUNTING POLICIES

The combined financial statements are measured using 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 2021 are consistent with those of the Company’s annual financial statements for the year ended 31 December 2020.

3. REVENUE AND SEGMENT INFORMATION

1) Basis of Determining Reportable Segments and the Accounting Policies

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

Each of the Company's reportable segments offers different products or services. As each segment requires different technologies or market strategies, the Company's management manages the operating activities of each reportable segment separately, and regularly evaluates the operating results of these reportable segments to determine the allocation of resources to them 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 and design services	Total
30 June 2021 (Unaudited)			
Reportable segment assets	1,520,400,623.99	432,346,837.62	1,952,747,461.61
Reportable segment liabilities	829,820,754.07	173,145,897.05	1,002,966,651.12
January to June 2021 (Unaudited)			
Segment revenue			
Revenue from external customers	843,394,188.53	38,430,973.34	881,825,161.87
Intersegment revenue	10,112,352.20	1,313,079.66	11,425,431.86
Reportable segment revenue	853,506,540.73	39,744,053.00	893,250,593.73
Reportable segment gross profit	203,915,324.23	6,049,960.82	209,965,285.05
30 June 2020 (Unaudited)			
Reportable segment assets	1,422,707,056.46	450,610,326.08	1,873,317,382.54
Reportable segment liabilities	817,039,187.87	205,592,172.82	1,022,631,360.69
January to June 2020 (Unaudited)			
Segment revenue			
Revenue from external customers	555,557,936.40	74,037,670.01	629,595,606.41
Intersegment revenue	–	5,998,470.48	5,998,470.48
Reportable segment revenue	555,557,936.40	80,036,140.49	635,594,076.89
Reportable segment gross profit	141,741,946.57	11,293,638.86	153,035,575.43

(2) *Revenue and other business income*

Item	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Revenue from contracts with customers		
Provision and distribution of heat	791,967,643.89	515,554,975.28
Pipeline connection fee	42,224,352.57	27,706,500.18
Heat transmission	9,202,192.07	12,296,460.94
Engineering construction	12,229,689.62	23,169,009.00
Engineering maintenance	15,362,589.12	46,642,000.52
Design service	5,127,631.22	3,447,723.90
Sale of product	5,568,887.71	604,990.00
Total	881,682,986.20	629,421,659.82
Other income source		
Total rental income arising from operating lease	142,175.67	173,946.59
Total	881,825,161.87	629,595,606.41

(3) *Cost and other business expense*

Item	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Heat supply	639,478,864.30	415,051,294.49
Of which:		
Heat procurement cost	390,052,290.37	252,977,032.10
Coal	13,426,244.82	–
Maintenance and repair	21,911,371.24	20,425,916.40
Labor	65,296,144.33	42,450,002.44
Depreciation and amortization	66,118,976.01	42,901,000.76
Utility	45,900,924.53	31,091,998.47
Input VAT transferred out	27,222,108.34	19,650,997.98
Others	9,550,804.66	5,554,346.34
Construction, maintenance and design services	32,381,012.52	61,508,736.49
Total	671,859,876.82	476,560,030.98

Note: The 2020 interim report, which was prepared and published on 22 September 2020 by the Company, was prepared in accordance with the International Financial Reporting Standards, in which taxes and surcharges were included in the cost of sales disclosed therein, while in the current period, it was prepared in accordance with the ASBEs, in which taxes and surcharges were not included in both the cost of sales for the current period and the previous period. As such, the cost of sales disclosed herein for the previous period is less than the disclosed amount in the 2020 interim report by RMB1,583 thousand, which included heat supply cost of RMB348 thousand and construction, maintenance and design services cost of RMB1,235 thousand.

4. ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2021, the administrative expenses incurred amounted to RMB49,609,496.82 (for the six months ended 30 June 2020, administrative expenses incurred amounted to RMB44,337,591.02), which mainly represented labor costs, depreciation and amortization expenses, etc.

5. PROFIT BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

Item	January to June 2021 (Unaudited)
Net profit	117,451,614.44
Income tax expense	39,505,670.37
Depreciation of fixed assets	132,899,139.70
Amortization of intangible assets	306,154.33
Amortization of long-term deferred expenditures	1,813,788.62
Interest and investment income	7,313,118.60
Interest income from financial institution	–
Interest charges	6,734,030.21
Interest expenses to financial institution	–
Profit before interest, taxes, depreciation and amortization	291,397,279.07

6. DIVIDEND

(1) Interim dividend

The Board does not recommend the payment of any interim dividend to Shareholders for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

A final dividend of RMB0.103 per share (tax inclusive) for the financial year ended 31 December 2020 (totaling RMB48,070,100.00) was approved at the 2020 annual general meeting. As at 30 June 2021, the aforesaid final dividend has not yet been paid to the Shareholders.

7. EARNINGS PER SHARE

	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Net profit attributable to the parent company	117,451,614.44	89,575,243.99
Weighted average number of ordinary Shares in issue during the period	466,700,000.00	466,700,000.00
Earnings per share	0.25	0.19

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 2021 and 2020.

8. INCOME TAX EXPENSES

(1) Table of income tax expenses

Item	January- June 2021 (Unaudited)	January- June 2020 (Unaudited)
Income tax expenses for the current period	44,191,552.51	30,424,042.68
Deferred income tax expenses	-4,685,882.14	1,465,230.95
Total	39,505,670.37	31,889,273.63

(2) Reconciliation between accounting profit and income tax expenses

Item	January- June 2021 (Unaudited)	January- June 2020 (Unaudited)
Total profit	156,957,284.81	121,464,517.62
Income tax expenses calculated at statutory/ applicable tax rates	39,239,321.20	30,366,129.41
Effect of different tax rates applicable to subsidiaries	-3,162,939.52	-320,713.68
Effect of adjustments to income tax on prior periods		
Effect of non-taxable income		
Effect of non-deductible costs, expenses and losses	681,147.50	1,193,000.00
Effect of deductible loss on utilization of deferred income tax assets not recognized in the previous period		
Effect of deductible temporary difference or deductible loss on deferred income tax assets not recognized in the current period	4,629,549.26	762,000.00
Others	-1,881,408.08	-111,142.10
Income tax expenses	39,505,670.37	31,889,273.63

9. TRADE RECEIVABLES

The credit terms granted to customers vary, and are generally dependent on the financial strength of individual customers. In order to effectively manage the credit risk associated with trade receivables, the Group regularly assesses the creditworthiness of its customers.

(1) Disclosure of trade receivables based on ageing

Ageing	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Within 1 year	183,087,843.55	214,235,473.54
1 to 2 years	60,950,978.66	65,307,430.19
2 to 3 years	19,775,410.09	6,691,906.92
3 to 4 years	5,557,909.19	7,871,090.43
4 to 5 years	3,723,057.42	2,083,921.24
Over 5 years	13,211,163.84	12,636,419.28
Sub-total	286,306,362.75	308,826,241.60
Less: Provision for bad debts	53,160,069.65	41,731,225.64
Total	233,146,293.10	267,095,015.96

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

Category	30 June 2021 (Unaudited)				
	Carrying balance		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Trade receivables subjected to provision for ECL on individual basis					
Trade receivables subjected to provision for ECL on portfolio basis	286,306,362.75	100.00	53,160,069.65	18.57	233,146,293.10
Of which: Ageing analysis portfolio					
– Heat supply business	64,431,285.34	22.50	13,280,759.15	24.98	51,150,526.19
Ageing analysis portfolio					
– Engineering business	183,430,394.46	64.07	30,631,294.53	57.62	152,799,099.93
Ageing analysis portfolio					
– Basic heating fee	17,359,521.15	6.06	9,248,015.97	17.40	8,111,505.18
Related party portfolio	21,085,161.80	7.37	–	–	21,085,161.80
Total	286,306,362.75	–	53,160,069.65	–	233,146,293.10

Category	31 December 2020 (Audited)				
	Carrying balance		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Trade receivables subjected to provision for ECL on individual basis					
Trade receivables subjected to provision for ECL on portfolio basis	308,826,241.60	100.00	41,731,225.64	13.51	267,095,015.96
Of which: Ageing analysis portfolio					
– Heat supply business	44,584,123.37	14.44	9,191,009.32	20.61	35,393,114.05
Ageing analysis portfolio					
– Engineering business	200,161,302.07	64.81	24,647,607.18	12.31	175,513,694.89
Ageing analysis portfolio					
– Basic heating fee	15,171,742.72	4.91	7,892,609.14	52.02	7,279,133.58
Related party portfolio	48,909,073.44	15.84	–	–	48,909,073.44
Total	308,826,241.60	–	41,731,225.64	–	267,095,015.96

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

1) Ageing analysis portfolio – Heat supply business

Ageing	30 June 2021 (Unaudited)		
	Carrying balance	Provision for bad debts	Proportion of provision (%)
Within 1 year	48,739,729.81	3,414,320.31	7.01
1 to 2 years	2,860,233.88	549,753.81	19.22
2 to 3 years	3,646,998.61	1,358,754.89	37.26
3 to 4 years	2,049,742.45	1,056,420.73	51.54
4 to 5 years	909,112.54	676,041.36	74.36
Over 5 years	6,225,468.05	6,225,468.05	100.00
Total	64,431,285.34	13,280,759.15	

2) Ageing analysis portfolio – Engineering business

Ageing	30 June 2021 (Unaudited)		
	Carrying balance	Provision for bad debts	Proportion of provision (%)
Within 1 year	125,061,129.31	7,137,163.13	5.71
1 to 2 years	35,251,824.09	6,682,427.40	18.96
2 to 3 years	14,808,047.67	8,956,511.77	60.48
3 to 4 years	1,854,593.02	1,512,971.63	81.58
4 to 5 years	4,524,030.62	4,411,450.85	97.51
Over 5 years	1,930,769.75	1,930,769.75	100.00
Total	183,430,394.46	30,631,294.53	

3) Ageing analysis portfolio – Basic heating fee

Ageing	30 June 2021 (Unaudited)		
	Carrying balance	Provision for bad debts	Proportion of provision (%)
Within 1 year	4,624,192.49	519,203.86	11.23
1 to 2 years	3,435,927.51	874,805.24	25.46
2 to 3 years	1,017,003.80	446,962.77	43.95
3 to 4 years	1,719,655.22	1,011,548.16	58.82
4 to 5 years	635,332.74	468,086.55	73.68
Over 5 years	5,927,409.39	5,927,409.39	100.00
Total	17,359,521.15	9,248,015.97	

10. TRADE PAYABLES

Ageing	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Within 1 year (including the first year)	29,991,152.31	533,402,464.44
1 to 2 years (including the second year)	105,477,489.36	57,542,454.32
2 to 3 years (including the third year)	28,819,151.97	20,393,328.10
3 to 4 years (including the fourth year)	18,314,331.22	12,059,398.83
4 to 5 years (including the fifth year)	28,025.12	2,440,876.06
Over 5 years	901,256.97	2,471,181.86
Total	183,531,406.95	628,309,703.61

MANAGEMENT DISCUSSION AND ANALYSIS

2021 marks the start of the implementation of the “14th Five-Year Plan” of the PRC. Under the leadership of the Party Central Committee with Comrade Xi Jinping as its core, the whole nation is maintaining its achievements in epidemic prevention and control while fully implementing the notion of high-quality development, leveraging technological innovation as the engine for development, promoting green economic development and achieving low-carbon economic transformation.

Under the guidance of the nation’s “carbon emission peak” and “carbon neutrality” strategies, the Group actively promotes the reform of clean energy heating, comprehensively explores green, low-carbon and environmentally friendly clean energy heating methods, and strives to create a heat supply model – the “smart technology + clean energy (智慧科技 + 清潔能源)” model – that is centered on energy conservation and environmental protection.

I. BUSINESS REVIEW

In the first half of 2021, the Group strictly abided by the epidemic prevention and control arrangements to carry out joint epidemic prevention and control. On the basis of ensuring full implementation of epidemic prevention and control, the Group successfully completed its mission in relation to heat supply in the first half of the year, and maintained a stable but improving growth in various businesses, with a slight increase in overall profit level as compared with the corresponding period of previous year.

(I) *Heat Supply Business*

For the Group’s heat supply business, the overall profitability and energy efficiency utilization rate have improved, the level of heat supply and production management and heat supply customer services have continued to increase, the rate of heat supply complaints have decreased, the investments in heat supply technological research and development (R&D) have increased continuously, and the R&D projects have been progressing steadily.

As at 30 June 2021, the Group had a heat service area of 60.20 million sq.m., representing an increase of 17.47 million sq.m. or 40.88% from 42.73 million sq.m. as at 30 June 2020. As for the number of heat supply users, as at 30 June 2021, the Group had 505,788 heat supply users, representing an increase of 157,218 users or 45.10% from 348,570 users as at 30 June 2020. For the six months ended 30 June 2021, the Group’s revenue from heat supply business was RMB843,394.2 thousand, representing an increase of RMB287,836.3 thousand or 51.81% from RMB555,557.9 thousand in the corresponding period of 2020.

1. *The Company*

Customers

Customers of our heat supply business are generally residential and non-residential users within the Company's heat service area. The table below sets out a breakdown of number of, and revenue contribution by, residential and non-residential users as at 30 June 2020 and 2021.

	As at 30 June 2021		As at 30 June 2020	
	Number of customers	% of revenue from heat supply	Number of customers	% of revenue from heat supply
Residential users ⁽¹⁾	285,174	66.3%	285,146	66.0%
Non-residential users ⁽²⁾	35,287	33.7%	35,187	34.0%
Total	<u>320,452</u>	<u>100%</u>	<u>320,333</u>	<u>100%</u>

Notes:

- (1) The number of residential users is per household.
- (2) Non-residential users include commercial users and other users which primarily include industrial users, corporate users and underground car parks.

Heat procurement

In 2021, the Company continued with its operation of clean heating through cogeneration, and provided heat supply service covering an area of 40.27 million sq.m. in Changchun. At the same time, the Company has attached great attention regarding clean heating methods that are environmentally friendly, energy-saving, and conducive to sustainable urban development, such as hybrid biomass heating technology, ice-source and sewage-source heat pump heating technologies, etc.

According to relevant documents issued by the Changchun Municipal Development and Reform Commission, the heat procurement price for January to June 2021 was RMB36/GJ (9% VAT included). For the six months ended 30 June 2021, the total heat procurement by the Group amounted to 12.45 million GJ with heat procurement cost being RMB390,052.3 thousand, and 8.10 million GJ of heat was used for the Company's heat supply and production purposes.

Heat transmission

For the six months ended 30 June 2021, approximately 4.35 million GJ of heat procurement quota obtained from the cogeneration plants by the Company was transferred to five other heat service providers, among which 3.79 million GJ of heat was transferred to Yatai Heating, a wholly-owned subsidiary of the Company, representing 86.96% of the total transmission quota. We received a total heat transmission fee of RMB9,202.2 thousand from four heat service providers, representing a decrease of 25.16% from that of the corresponding period of 2020.

The following table sets forth the breakdown of the usage of the Company's heat procurement between January to June 2021 and during the corresponding period in 2020:

	January- June 2021	January- June 2020
Estimated heat procurement quota (GJ) ⁽¹⁾	12,212,000	14,180,000
Heat procurement quota transferred (GJ) ⁽²⁾	4,352,828	4,418,099
Actual consumption (GJ) ⁽³⁾	8,098,101	8,139,573
Total heat procured (GJ) ⁽⁴⁾	12,450,929	12,557,672
Utilization rate (%) ⁽⁵⁾	66.3%	57.4%

Notes:

- (1) The heat procurement quota was an estimate of the heat procurement prior to each heat supply period based on the historical heat procurement amount.
- (2) During the Reporting Period, we transferred certain portion of procured heat to five other heat service providers and charged heat transmission fees accordingly.
- (3) Actual consumption of heat procured by us represents the aggregate amount of actual heat supply and consumption data each month as recorded by a measuring equipment and reviewed and agreed by each of the 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 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.

Heat supply emergency repair

The Company has always been persistent with optimizing the heat supply emergency repair process and upgrading repair facilities and equipment to constantly enhance the heat production capability. At the same time, the Company and Jilin University jointly developed a smart heat network inspection system with a view to fully enhancing the accuracy of leakage detection in pipelines and the inspection coverage of the pipeline network during future inspections and emergency repairs and maintenance. During the Reporting Period, the Company handled all kinds of emergency repairs in a timely manner and in strict accordance with the heat supply emergency repair policies and procedures. No safety related incidents were recorded.

2. *Xixing Energy*

As at 30 June 2021, Xixing Energy has a heat supply area of 3.46 million sq.m. and a total of 30,829 users, including 27,921 residential users and 2,908 non-residential users. During the first half of 2021, Xixing Energy's heat output to its heat supply area totaled 0.61 million GJ.

3. *Yatai Heating*

As at 30 June 2021, Yatai Heating has a heat supply area of 16.47 million sq.m. and a total of 154,507 users, including 135,937 residential users and 18,570 non-residential users. During the first half of 2021, Yatai Heating's heat output to its heat supply area totaled 3.79 million GJ.

(II) *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 instrument maintenance. These services mainly cover northeast China. For the six months ended 30 June 2021, revenue generated from the Group's construction, maintenance and design services amounted to RMB38,431.0 thousand, representing a decrease of RMB35,606.7 thousand, or 48.09%, from RMB74,037.7 thousand in the corresponding period of 2020.

1. *Engineering construction*

For the six months ended 30 June 2021, revenue generated from engineering construction amounted to RMB12,229.7 thousand, representing a decrease of RMB10,939.3 thousand, or 47.22%, from RMB23,169.0 thousand in the corresponding period of 2020. This was mainly due to decrease in construction work project.

In the first half of 2021, our engineering construction business was mainly focused on the following: 1) preparing for the bidding of newly signed projects, procurement of raw materials and initial engineering design, actively seeking opportunities to expand external projects, and commenced the thermal pipeline relocation project for the Changchun Tractor Plant Industrial Site Renovation Project (Phase I); 2) strengthening team building, optimizing management efficiency, and taking advantage of the seasonal decrease in construction volume in spring to consolidate basic settlement and statistical data and to enhance the efficiency of construction closeout; and 3) improving various management systems and work processes, and strengthening internal control management.

2. *Engineering maintenance*

For the six months ended 30 June 2021, revenue generated from engineering maintenance amounted to RMB15,362.6 thousand, representing a decrease of RMB31,279.4 thousand, or 67.06%, from RMB46,642.0 thousand in the corresponding period of 2020. This was mainly due to decrease in engineering maintenance project.

In the first half of 2021, our engineering maintenance business was mainly focused on the following: 1) strengthening safety management and ensuring safe production; 2) actively participating in market competition and maintaining the proportion of revenue from external projects in relation to the overall operation; and 3) broadening revenue channels in multiple dimensions and improving risk resistance capacity to open up more development directions for the future of the engineering maintenance business.

3. *Design services*

For the six months ended 30 June 2021, revenue generated from design services amounted to RMB5,127.6 thousand, representing an increase of RMB1,679.9 thousand, or 48.73%, from RMB3,447.7 thousand in the corresponding period of 2020. This was mainly due to growth in the design business.

In the first half of 2021, the design services business was mainly focused on the following: 1) increasing design services agreements, with a slight increase in volume and an increase in turnover as compared with the corresponding period of previous year; 2) further increasing investments in scientific and technological innovation and R&D projects, adding 3 new utility model patents and receiving grants amounting to RMB400,000 from the Changchun Nanguan District Science and Technology Bureau for being a National High and New Tech Enterprise and a Changchun Little Giant Enterprise (小巨人企業) during the Reporting Period, laying a solid foundation for the development of technological innovation and R&D innovation; and 3) expanding market share and extending its business scope to the Xinjiang Uygur Autonomous Region, laying an early groundwork for cross-regional development.

(III) Smart Heat Supply Network System

In the first half of 2021, the Group focused its development on information technology, smart technology and integration of energy utilization, and continued to carry out scientific and technological innovation work, to further accelerate the exploration of heat supply and production integration and work harder on the construction of smart heat supply monitoring platform on the basis of the existing smart heat supply network system, and to continue to guide the heat supply industry to develop towards high technology. For the construction of smart heat supply network system, the following areas have been explored:

1. “Heat Supply e-Home” (熱力e家) mobile app

- (1) Performed data collection on existing database of the operating fee charging system by developing the corresponding standardized interface.
- (2) Maintained our user base, promoted further business applications in the public service sector, and expanded our business chain.
- (3) Completed the overall functional design of the mobile app, with the functional modules undergoing testing.

2. *Smart heat supply network inspection and analysis management platform*

- (1) Collaborated with the research team from Jilin University to launch a project on smart heat supply network inspection system based on dual-light imaging from drones, which explores the use of drone technology, together with positioning navigation system and operation terminal, to achieve manual and automatic inspection of heat supply pipelines. At the same time, smart identification system, artificial intelligence algorithms and big data analysis models are constructed to increase the accuracy rate of pipeline leak detection by more than 20%.
- (2) Planned implementation of dual-light imaging of infrared spectrum and visible spectrum, including continuous video and still image information processing.
- (3) By using artificial intelligence technology based on smart identification system, smart identification and preliminary evaluation of pipeline leakage points are conducted to achieve real-time fault detection, and to create and improve the content database of pipeline fault data.
- (4) Established a three-dimensional emergency real-time image transmission data chain management platform to collect high-definition, 360-degree monitoring images, to support remote command and monitoring through mobile app and other device.
- (5) Verified the feasibility of applying real-time drone monitoring technology for pipeline inspection and emergency repair. An upper-level management platform is being developed from a practical perspective, with plans to interfacing with the three-dimensional pipeline system and big data system in the future.

(IV) Safety Management

In the first half of 2021, the Group has comprehensively implemented all major decisions and deployments from the government at all levels with regard to safety production, firmly established the concept of safety development, determined the principal responsibilities in relation to safety production, and sturdily promoted the three-year special rectification action on safety production, with the objectives of “preventing risks, eliminating hazards and curbing accidents”. Through effective practical work such as the “signing of safety responsibility letters with all production units” and “conducting of special inspections on safety production site management”, the Group has enhanced the safety awareness of staff, improved the safety management level, strengthened the effort on safety management, comprehensively improved the quality of corporate safety management and safeguarded the continuous stability for the Group’s safety production. During the Reporting Period, the Group did not have any major safety incidents.

(V) Technology and R&D

In the first half of 2021, the Group made continuous efforts in technological R&D, and established a chief engineer’s office to organize the implementation of the Company’s major technology advancement projects so that the management level of technological R&D could be further strengthened.

The Group continued to promote the process of information technology and digitalization in relation to heat supply and production, and continued to upgrade its heat supply technologies (such as smart heat supply network), which significantly improved the enterprise management and operational level. In the first half of this year, the Group had accumulated 2 utility model patents issued by the National Intellectual Property Administration and 24 computer software copyright certificates issued by the National Copyright Administration.

The Group places great attention to the effectiveness of technological R&D in heat supply and production, continues to promote technological R&D projects such as “Energy Saving Enhancement of Circulating Pumps (循環泵節能改造)” and “Smart System for Heat Supply and Energy Saving in Public Buildings (公共建築供熱節能一體化智能系統)”, and gradually transforms the results into actual production. In addition, the Group has also commenced technical research projects such as the “Technical Transformation and Improvement Project on Jet Water-Water Heat Exchange Device (噴射式水—水換熱裝置技術改造、技術升級項目)”, and is committed to making progress in improving heat supply efficiency and reducing energy consumption.

(VI) Honors and Awards

On 18 May 2021, the Group was ranked 123rd in the “2021 China Top 500 Brands (2021中國品牌500強)” and was awarded as a “2021 China Brand Day - Top 10 Investment Value Brand (2021中國品牌日•十大投資價值品牌)” at the 2021 Brand Power Forum cum 2021 China Top 500 Brand Announcement Conference (2021品牌強國論壇暨2021中國品牌500強發佈會). Mr. Liu Changchun, the chairman of the Group, was named as the “2021 China Brand Day - Top 100 Outstanding Brand Entrepreneurs (2021中國品牌日•百名優秀品牌企業家)”.

II. FINANCIAL POSITION AND OPERATING RESULTS

(1) Revenue

For the six months ended 30 June 2021, The Group’s revenue amounted to RMB881,825.2 thousand, as compared with RMB629,595.6 thousand for the corresponding period of 2020, representing an increase of 40.06%, primarily due to an increase in revenue from heat supply business as a result of the consolidation of Yatai Heating and Xixing Energy by the Group (for the corresponding period of previous year, Xixing Energy’s profit or loss was consolidated to that of the Group from 11 June to 30 June). (i) For the six months ended 30 June 2021, revenue from heat supply business of the Group amounted to RMB843,394.2 thousand, as compared with RMB555,557.9 thousand for the corresponding period of 2020, representing an increase of 51.81%, primarily due to an increase in revenue from heat supply business as a result of the consolidation of Yatai Heating and Xixing Energy; and (ii) for the six months ended 30 June 2021, revenue from construction, maintenance and design business of the Group amounted to RMB38,431.0 thousand, as compared with RMB74,037.7 thousand for the corresponding period of 2020, representing a decrease of 48.09%, primarily due to the fact that no engineering maintenance had been undertaken for any new large-scale project, which resulted in the relatively low amount of project undertaken during the first half of 2021 as compared with the corresponding period of 2020.

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

	For the six months ended 30 June		Change in percentage
	2021 RMB0'000 (Unaudited)	2020 RMB0'000 (Unaudited)	
Heat supply, of which:			
– Heating fee income	79,196.76	51,555.50	53.61%
– Pipeline connection fee	4,222.44	2,770.65	52.40%
– Pipeline transmission fee	920.22	1,229.65	–25.16%
Sub-total	<u>84,339.42</u>	<u>55,555.79</u>	<u>51.81%</u>
Construction, maintenance and design services, of which:			
– Engineering construction	1,222.97	2,316.90	–47.22%
– Engineering maintenance	1,536.26	4,664.20	–67.06%
– Design services	512.76	344.77	48.73%
– Others	571.11	77.89	633.19%
Sub-total	<u>3,843.10</u>	<u>7,403.77</u>	<u>–48.09%</u>
Total	<u><u>88,182.52</u></u>	<u><u>62,959.56</u></u>	<u><u>40.06%</u></u>

(2) *Other Income and Other Net Gains*

For the six months ended 30 June 2021, the Group's other income and other net gains amounted to RMB14,607.3 thousand, as compared with RMB8,295.2 thousand for the corresponding period of 2020, representing an increase of 76.09%, which was principally attributable to (i) non-operating income of RMB4,729.7 thousand for the six months ended 30 June 2021 as compared with RMB2,101.2 thousand for the corresponding period of 2020, representing an increase of 125.09%, which was attributable to an increase in non-operating income as the Company received a listing subsidy amounted to RMB4,000.0 thousand in 2021 and such amount was included in non-operating income; (ii) other income of RMB2,571.9 thousand for the six months ended 30 June 2021, as compared with RMB1,383.2 thousand for the corresponding period of 2020, representing an increase of 85.94%, which was attributable to an increase in other income as the Company received subsidy income from the small boiler network consolidation and conversion project in 2021; (iii) interest income from bank deposits of RMB7,313.1 thousand for the six months ended 30 June 2021, as compared with RMB6,441.7 thousand for the corresponding period of 2020, representing an increase of 13.53%, which was attributable to an increase in bank deposits of the Company in 2021 which in turn led to an increase in interest income.

(3) *Operating Costs*

For the six months ended 30 June 2021, the Group's operating costs amounted to RMB671,859.9 thousand, as compared with RMB476,560.0 thousand for the corresponding period of 2020, representing an increase of 40.98%. The following table sets out the breakdown of the operating costs by business segment:

	For the six months ended 30 June		
	2021	2020	Change in
	RMB0'000	RMB0'000	percentage
	(Unaudited)	(Unaudited)	
Cost of sales by business segment			
Heat supply	63,947.89	41,505.13	54.07%
Construction, maintenance and design services	3,238.10	6,150.87	-47.36%
Total	67,185.99	47,656.00	40.98%

Note: The 2020 interim report, which was prepared and published on 22 September 2020 by the Company, was prepared in accordance with the International Financial Reporting Standards, in which taxes and surcharges were included in the cost of sales disclosed therein, while in the current period, it was prepared in accordance with the ASBEs, in which taxes and surcharges were not included in both the cost of sales for the current period and the previous period. As such, the cost of sales disclosed herein for the previous period is less than the disclosed amount in the 2020 interim report by RMB1,583 thousand, which included heat supply cost of RMB348 thousand and construction, maintenance and design services cost of RMB1,235 thousand.

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 cost (primarily includes wages, salaries and benefits for our employees involved in the provision and distribution of heat) and utility costs.

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

	For the six months ended 30 June		
	2021	2020	Change in
	RMB0'000	RMB0'000	percentage
	(Unaudited)	(Unaudited)	
Cost of sales for heat supply			
Heat procurement cost	39,005.23	25,297.70	54.18%
Coal	1,342.62		
Maintenance and repair	2,191.14	2,042.59	7.27%
Wage	6,529.61	4,245.00	53.82%
Depreciation and amortization	6,611.90	4,290.10	54.12%
Utility	4,590.09	3,109.20	47.63%
Input VAT transferred out	2,722.21	1,965.10	38.53%
Others	955.08	555.43	71.79%
	<hr/>	<hr/>	<hr/>
Total	<u>63,947.89</u>	<u>41,505.13</u>	<u>54.07%</u>

For the six months ended 30 June 2021, the Group's heat procurement cost amounted to RMB390,052.3 thousand, as compared with RMB252,977.0 thousand for the corresponding period of 2020, representing an increase of 54.18%. This was primarily due to an increase in cost of heat procurement arising from the consolidation of two new subsidiaries in 2021, namely Xixing Energy (for the corresponding period of previous year, Xixing Energy's profit or loss was consolidated to that of the Group from 11 June to 30 June) and Yatai Heating, which resulted in an increase in total heat procurement cost.

Note: The 2020 interim report, which was prepared and published on 22 September 2020 by the Company, was prepared in accordance with the International Financial Reporting Standards, in which taxes and surcharges were included in the cost of sales disclosed therein, while in the current period, it was prepared in accordance with the ASBEs, in which taxes and surcharges were not included in both the cost of sales for the current period and the previous period. As such, the cost of sales disclosed herein for the previous period is less than the disclosed amount in the 2020 interim report by RMB1,583 thousand, which included heat supply cost of RMB348 thousand and construction, maintenance and design services cost of RMB1,235 thousand.

For the six months ended 30 June 2021, the Group's maintenance and repair costs amounted to RMB21,911.4 thousand, as compared with RMB20,425.9 thousand for the corresponding period of 2020, representing an increase of 7.27%, which was primarily due to an increase in maintenance and repair costs arising from the consolidation of two new subsidiaries in 2021, namely Xixing Energy (for the corresponding period of previous year, Xixing Energy's profit or loss was consolidated to that of the Group from 11 June to 30 June) and Yatai Heating.

For the six months ended 30 June 2021, the Group's input VAT transferred out amounted to RMB27,222.1 thousand, as compared with RMB19,651.0 thousand for the corresponding period of 2020, representing an increase of 38.53%, which was primarily due to an increase in input VAT transferred out arising from the consolidation of two new subsidiaries in 2021, namely Xixing Energy and Yatai Heating.

Costs for 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. For the six months ended 30 June 2021, the Group's cost of sales for construction, maintenance and design services amounted to RMB32,381.0 thousand, as compared with RMB61,508.7 thousand for the corresponding period of 2020, representing a decrease of 47.36%. The change in cost for this business 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 2021, the Group's gross profit amounted to RMB209,965.3 thousand, as compared with RMB153,035.6 thousand for the corresponding period of 2020, representing an increase of 37.20%. This was primarily due to an increase in gross profit arising from the consolidation of two new subsidiaries in 2021, namely Xixing Energy (for the corresponding period of previous year, Xixing Energy's profit or loss was consolidated to that of the Group from 11 June to 30 June) and Yatai Heating, and the heat supply business of the Company has recorded growth as area increased, which resulted in a stable increase in gross profit.

Note: The 2020 interim report, which was prepared and published on 22 September 2020 by the Company, was prepared in accordance with the International Financial Reporting Standards, in which taxes and surcharges were included in the cost of sales disclosed therein, while in the current period, it was prepared in accordance with the ASBES, in which taxes and surcharges were not included in both the cost of sales for the current period and the previous period. As such, the cost of sales disclosed herein for the previous period is less than the disclosed amount in the 2020 interim report by RMB1,583 thousand, which included heat supply cost of RMB348 thousand and construction, maintenance and design services cost of RMB1,235 thousand.

(5) *Administrative Expenses*

For the six months ended 30 June 2021, the Group's administrative expenses amounted to RMB49,609.5 thousand, as compared with RMB44,337.6 thousand for the corresponding period of 2020, representing an increase of 11.89%, which was primarily due to an increase in administrative expenses arising from the consolidation of two new subsidiaries in 2021, namely Xixing Energy (for the corresponding period of previous year, Xixing Energy's profit or loss was consolidated to that of the Group from 11 June to 30 June) and Yatai Heating.

(6) *Finance Costs*

For the six months ended 30 June 2021, the Group's finance costs amounted to RMB6,704.7 thousand, as compared with RMB807.9 thousand for the corresponding period of 2020, representing an increase of 729.87%, which was principally due to the finance costs incurred for the transfer of debt receivables of the Group's construction business.

(7) *Income Tax Expense*

For the six months ended 30 June 2021, the Group's income tax expense was RMB39,505.7 thousand, as compared with RMB31,889.3 thousand for the corresponding period of 2020, representing an increase of 23.88%, which was principally due to the increase in taxable income as calculated in accordance with the Enterprise Income Tax Law and its relevant regulations.

(8) *Profit for the Period*

For the six months ended 30 June 2021, the Group's profit for the period amounted to RMB117,451.6 thousand, as compared with RMB89,575.2 thousand for the corresponding period of 2020, representing an increase of 31.12%. This was primarily due to an increase in profit arising from the consolidation of two new subsidiaries in 2021, namely Xixing Energy (for the corresponding period of previous year, Xixing Energy's profit and loss was consolidated to that of the Group from 11 June to 30 June) and Yatai Heating, which resulted in an increase in net profit by RMB27,876.4 thousand as compared with that for the corresponding period of 2020.

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

For the six months ended 30 June 2021, profit attributable to owners of the Company was RMB117,451.6 thousand as compared with RMB89,575.2 thousand for the corresponding period of 2020, representing an increase of 31.12%. Profit attributable to owners of the Company was in line with profit for the period.

(10) Liquidity and Capital Resources

As at 30 June 2021, the Group held cash and cash equivalents of RMB165,149.2 thousand, representing a decrease of 77.45% as compared with the balance of RMB732,404.4 thousand as at 31 December 2020, which was principally due to (i) net cash outflow from operating activities of RMB419,279.7 thousand as a result of the payment of RMB472,251.2 thousand in cash by the Company for goods and services; and (ii) net cash inflow from financing activities of RMB2,617.9 thousand as a result of the additional borrowings of RMB2,617.9 thousand during the period.

(11) Capital Expenditure

For the six months ended 30 June 2021, the Group's capital expenditure amounted to RMB70,709.6 thousand, as compared with RMB7,383.9 thousand for the corresponding period of 2020, representing an increase of 857.62%. The capital expenditure was mainly attributable to purchase of fixed assets.

(12) Capital Structure

As at 30 June 2021, the Group's owners' equity amounted to RMB949,780.8 thousand, representing an increase of RMB71,634.9 thousand as compared with 31 December 2020. This was mainly due to the distribution of the 2020 final dividend declared during the period and the increase in net profit for the period. As at 30 June 2021, the Group's total interest-bearing bank and other borrowings amounted to approximately RMB2,617.9 thousand with a fixed interest rate of 4.5% 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 2021, the Group's cash and cash equivalents exceeded the Group's total interest-bearing liabilities.

(13) Material Acquisitions and Disposals

During the six months ended 30 June 2021, the Group did not have any material acquisitions and disposals.

(14) Charge on Assets

As at 30 June 2021, the Group did not have any charge on assets.

(15) Contingent Liabilities

As at 30 June 2021, the Group did not have any contingent liabilities.

III. USE OF PROCEEDS FROM IPO LISTING

The Shares of the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 24 October 2019 (the “**Listing Date**”). A total of 116,700,000 H Shares with par value of RMB1.00 each were issued at the price of HK\$2.35 per Share through global offering, representing 25% of the total share capital upon the issue, with a financing scale of approximately HK\$274.2 million. The actual net proceeds from the global offering, after deducting the underwriting commission and other estimated expenses in connection with the global offering, amounted to approximately HK\$220.5 million (equivalent to approximately RMB199.5 million) (the “**IPO Proceeds**”).

The Company has utilized and will utilize the IPO Proceeds for the purposes consistent with those set out in the prospectus published on 27 September 2019, except for the proposal to revise the planned use of the unutilized net proceeds as set out in the announcement published by the Company on 29 October 2020 and approved by the Shareholders at the extraordinary general meeting on 30 December 2020. As disclosed in the 2020 annual report, a total of approximately RMB100.0 million originally planned for upgrading the smart heat supply network and upgrading and replacing the Group’s existing distribution pipelines and heat supply facilities will be reallocated to acquisition of suitable enterprises in order to expand the Group’s business, which was utilized in full for the settlement of partial consideration for the acquisition of 100% equity interests in Yatai Heating.

Details of the utilization of the IPO Proceeds are set out below:

Use of net proceeds (RMB million) (% of net proceeds)	Original planned use of net proceeds	Amount utilized prior to revision	Revision of allocation	Unutilized	Amount utilized after revision of allocation	Unutilized net proceeds as at 30 June 2021	Expected timeline for utilizing the net proceeds
				net proceeds immediately after revision of allocation			
1. Upgrade the smart heat supply network	81.8 (41.0%)	-	-50.0 (-25.1%)	31.8 (15.9%)	-28.0 (14.0%)	3.8 (1.9%)	No later than end of 2021
2. Replace pipelines and facilities	81.8 (41.0%)	-	-50.0 (-25.1%)	31.8 (15.9%)	-22.4 (11.2%)	9.4 (4.7%)	No later than end of 2021
3. Expand service area	25.9 (13.0%)	-21.6 (10.8%)	-	4.3 (2.2%)	-4.3 (2.2%)	-	-
4. Acquisition	10.0 (5.0%)	-10.0 (5.0%)	+100.0 (+50.2%)	100.0 (50.2%)	-100.0 (50.2%)	-	-
	<u>199.5</u> (100.0%)	<u>-31.6</u> (15.8%)	<u>-</u>	<u>167.9</u> (84.2%)	<u>-154.7</u> (77.6%)	<u>13.2</u> (6.6%)	

- (1) The amount allocated for originally planned use of approximately RMB81.8 million (equivalent to approximately HK\$90.4 million), representing approximately 41.0% of the net proceeds from the global offering, was revised to RMB31.8 million, representing approximately 15.9% of the net proceeds from the global offering. From the date of receiving the IPO Proceeds to 30 June 2021, RMB28.0 million has been used for further increasing the level of automation in the Group's heat supply business by enhancing the Group's smart heat supply network system to achieve a more stable, efficient and technologically advanced heat supply. Most of the net proceeds that were allocated to this category will be used for upgrading the system, purchasing relevant equipment and sensors and installation of the equipment in heat exchange stations and properties of end-users. The remaining balance of RMB3.8 million is expected to be utilized no later than end of 2021 for upgrading the smart heat supply network.

- (2) The amount allocated for originally planned use of approximately RMB81.8 million (equivalent to approximately HK\$90.4 million), representing approximately 41.0% of the net proceeds from the global offering, was revised to RMB31.8 million, representing approximately 15.9% of the net proceeds from the global offering. From the date of receiving the IPO Proceeds to 30 June 2021, RMB22.4 million has been used for upgrading and replacing existing primary distribution pipelines and heat supply facilities to enhance operational efficiency of our heat distribution network. The remaining balance of RMB9.4 million is expected to be utilized no later than end of 2021 for replacing the primary distribution pipelines and heat supply facilities.
- (3) The amount allocated for originally planned use of approximately RMB25.9 million (equivalent to approximately HK\$28.7 million), representing approximately 13.0% of the net proceeds from the global offering, was not revised. From the date of receiving the IPO Proceeds to 31 December 2020, the entire amount has been utilized for the expansion of our heat service area to facilitate the growth of the heat supply business, which included construction of necessary primary distribution pipelines and heat supply facilities required thereunder.
- (4) The amount allocated for originally planned use of approximately RMB10.0 million (equivalent to approximately HK\$11.0 million), representing approximately 5.0% of the net proceeds from the global offering, was revised to RMB110.0 million, representing approximately 55.2% of the net proceeds from the global offering. From the date of receiving the IPO Proceeds to 31 December 2020, the entire amount has been utilized, which mainly included RMB100.0 million for payment of partial consideration in relation to the acquisition of 100% equity interests in Yatai Heating in 2020.

The unutilized IPO Proceeds have been deposited as short-term demand deposits in a bank account maintained by the Group.

IV. RISK FACTORS AND RISK MANAGEMENT

(1) Industry Risk

The pricing of heat sources in the heat supply industry is usually subject to regulation and control by government departments, and heat supply enterprises cannot regulate the procurement price of heat sources directly. Meanwhile, the price of services provided by the Group's engineering construction, maintenance and design business is also subject to control and regulation under government policies. At present, the Jilin Provincial Government is conducting special rectification on 10 types of outstanding problems, such as industry supervision, engineering construction and people's livelihood, in the heat supply segment, which means higher requirements on the management level of heat supply enterprises.

The Group will continue to implement effective cost control and enhance the ability to cope with market changes so as to achieve a people-oriented and demand-driven heat supply system. The Group will also strive to enhance its smart management capability and enhance the efficiency of the smart heat supply network system to ensure the quality of heat supply services in order to cope with various industry risks.

(2) Policy Risk

Changes in national and local government policies have a profound impact on the industry. In recent years, the PRC government has issued a series of environmental protection laws and regulations to encourage heat supply enterprises to meet emission standards. The Price Bureau of Jilin Province (吉林省物價局) also issued guidance documents on strengthening the management of heating prices and reasonably adjusting heating prices, which have strictly regulated the fee charging behavior of heat supply enterprises, and practically strengthened the monitoring of heating costs and the supervision of heating prices by enterprises.

The Group will make necessary adjustments in strict accordance with the requirements of laws and regulations and relevant policies, strengthen internal supervision, improve management level, and regulate fee charging behavior. At the same time, the Group will invest more costs in upgrading existing equipment and optimizing equipment parameters to meet the requirements of regulatory authorities.

(3) *Climate Risk*

The cost of heating for the heat supply segment is significantly affected by the weather conditions during the heating period. The Company needs to purchase more heat to maintain the desired in-room temperature for its customers when the outdoor temperature is low during the heating period, which will increase the overall cost of the heating business and vice versa.

The Group will fully utilize the smart heating network system to regulate its heat supply capacity and adopt an intelligent control system for rational distribution of heat supply in order to cope with the risk of climate change on the Company's cost structure.

(4) *Exchange Risk*

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

V. PROSPECT FOR THE SECOND HALF OF 2021

In the current situation, the PRC's strategic development goals of achieving "carbon emission peak and carbon neutrality" have brought tremendous changes to the heat supply industry. The heat supply business of the Group will adequately respond to market demand, continue to promote clean energy heating, accelerate the process of industry integration, expand technological R&D, continue to improve service quality, and strive to achieve the new development concepts of "innovation, coordination, green, openness, and sharing", while strengthening and leveraging its advantages on its position as a regional leader of the industry. At the same time, efforts are made for the application and facilitation of new energy heating technologies, new energy heating models are being explored to find the most cost-effective model that caters best to local conditions, and new profit growth points for the Company are being created in winning the war on keeping the skies blue.

In the second half of the year, the Group will focus on the supply and production of heat, fully realize its technical, quality and brand advantages, provide heat supply services for residential areas, office buildings, large shopping malls, hospitals, schools and other properties within its service area, continuously develop new functions for the smart heat supply network system, continue to reduce consumption and increase efficiency, and strive to reward our community with better heat supply quality and better performance levels.

Meanwhile, the Group will continue to make development plans in relation to the construction, maintenance and design business, continue to enhance various qualifications, focus on improving its ability in market competition, continuously increase investment in technological R&D and technological innovation, accelerate the speed of technological transformation, improve the overall strength of the Group, and enhance the market share and profitability.

VI. CHANGE OF ACCOUNTING STANDARDS

In view of the proposed A-share listing of the Company, the Company published an announcement and a circular on 22 December 2020 and 15 January 2021, respectively, to propose that the financial statements of the Company for the year ended 31 December 2020 and the financial periods thereafter shall be prepared in accordance with the ASBEs. The aforementioned resolution was approved at the extraordinary general meeting held on 24 February 2021. The unaudited interim combined results for the six months ended 30 June 2021 stated in this announcement are therefor prepared in accordance with the ASBEs and may differ from the results contained in the interim results announcement for the six months ended 30 June 2020 published by the Company on 21 August 2020 which was prepared in accordance with the International Financial Reporting Standards.

VII. EVENTS AFTER THE REPORTING PERIOD

Since 30 June 2021 and up to the date of this announcement, no other material events or transactions affecting the Group have been occurred.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021.

Compliance with Corporate Governance Code

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

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 2021. 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 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities or redeemable securities.

Convertible Securities, Options, Warrants or Similar Rights

For the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or other similar rights or exercised any conversion or subscription rights under any convertible securities, options, warrants or other similar rights issued or granted by the Company or any of its subsidiaries at any time.

Issue of Bonds

For the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had issued any bonds.

Review of Interim Results

The Company has 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, an independent non-executive Director, is the chairman of the Audit Committee. The Audit Committee of the Company has reviewed the interim results of the Group for the six months ended 30 June 2021, and has agreed with the accounting treatment adopted by the Company.

Amendments to the Articles of Association

The amendments to the Articles of Association were approved at the extraordinary general meeting of the Company held on 24 February 2021, details of which are set out in the circular of the Company dated 15 January 2021. The latest version of the Articles of Association is also available on the websites of the Company and the Hong Kong Stock Exchange.

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 2021 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.

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 application guidance for the ASBEs, the interpretation of ASBEs and other relevant requirements
“Articles” or “Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time
“Board”	the board of Directors of the Company
“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
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company” or “we”	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司) (stock code: 1853), a company incorporated in the PRC on 23 October 2017 and is a joint stock limited liability company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	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
“heat service area”	gross floor area covered by heat supply, including heat service area where we fully or partially charge for heat fees
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Listing”	the listing of the H Shares of the Company on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Reporting Period”	the period from 1 January 2021 to 30 June 2021
“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 Co., Ltd.* (長春亞泰熱力有限責任公司), a wholly-owned subsidiary of the Company
“%”	percent

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

Jilin, the PRC, 27 August 2021

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