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Jilin Province Chuncheng Heating Company Limited*

吉林省春城熱力股份有限公司

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

(Stock Code : 1853)

2024 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- The revenue for the six months ended 30 June 2024 amounted to RMB906,629.3 thousand, representing an increase of 0.92% as compared to the same period in 2023.
- The profit before tax for the six months ended 30 June 2024 was RMB200,617.2 thousand, representing an increase of 14.17% as compared to the same period in 2023.
- The net profit attributable to equity holders of the Company for the six months ended 30 June 2024 amounted to RMB148,142.0 thousand, representing an increase of 18.59% as compared to the same period in 2023.
- Earnings per share for the six months ended 30 June 2024 amounted to RMB0.32, representing an increase of RMB0.05 as compared to the same period in 2023.

The Board is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2024, which were prepared in accordance with the ASBEs. These unaudited interim results had been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL INFORMATION

(presented in RMB unless otherwise stated)

COMBINED STATEMENT OF FINANCIAL POSITION

Item	Note	30 June 2024 (Unaudited)	31 December 2023 (Audited)
CURRENT ASSETS:			
Monetary fund		560,426,033.28	1,117,641,609.91
Financial assets measured at fair value through profit or loss		–	–
Held-for-trading financial assets		–	–
Derivative financial assets		–	–
Bills receivable		5,453,605.08	–
Trade receivables	9	155,202,628.09	145,484,702.63
Trade receivables financing		–	–
Prepayments		176,197,178.23	560,281,310.77
Other receivables		14,208,356.11	19,880,079.38
Inventories		7,154,454.22	6,713,395.63
Contract assets		53,511,233.67	65,115,247.85
Assets held for sale		–	–
Non-current assets due within one year		–	–
Other current assets		47,302,923.01	26,982,649.84
TOTAL CURRENT ASSETS		1,019,456,411.69	1,942,098,996.01

Item	30 June 2024 (Unaudited)	31 December 2023 (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	–	–
Fixed assets	863,078,590.66	897,056,268.51
Construction-in-progress	15,582,466.99	15,297,566.99
Biological assets	–	–
Fuel and gas assets	–	–
Right-of-use assets	7,914,892.28	9,151,063.82
Intangible assets	16,475,533.50	14,605,254.11
Development costs	–	–
Goodwill	74,847,680.43	74,847,680.43
Long-term deferred expenditures	35,487.79	52,873.11
Deferred income tax assets	50,337,409.28	53,483,180.47
Other non-current assets	–	–
TOTAL NON-CURRENT ASSETS	1,028,272,060.93	1,064,493,887.44
TOTAL ASSETS	2,047,728,472.62	3,006,592,883.45

Item	<i>Note</i>	30 June 2024 (Unaudited)	31 December 2023 (Audited)
CURRENT LIABILITIES:			
Short-term borrowings		35,000,000.00	–
Financial liabilities measured at fair value through profit or loss		–	–
Held-for-trading financial liabilities		–	–
Derivative financial liabilities		–	–
Bills payable		114,200,000.00	183,130,000.00
Trade payables	<i>10</i>	114,718,171.48	197,585,314.62
Advances		–	–
Contract liabilities		467,567,054.76	1,381,513,668.23
Salaries payable		42,827,684.49	99,420,557.57
Tax payable		2,127,238.93	21,219,468.29
Other payables		15,188,832.35	16,090,642.48
Liabilities held for sale		–	–
Non-current liabilities due within one year		2,689,296.64	2,733,983.62
Other current liabilities		11,924.99	13,028.63
TOTAL CURRENT LIABILITIES		794,330,203.64	1,901,706,663.44

Item	30 June 2024 (Unaudited)	31 December 2023 (Audited)
NON-CURRENT LIABILITIES:		
Long-term borrowings	–	–
Bonds payable	–	–
Of which: Preference shares	–	–
Perpetual bonds	–	–
Lease liabilities	6,547,473.80	6,398,770.88
Long-term payables	2,584,506.04	2,584,506.04
Long-term salaries payable	31,338,188.24	31,338,188.24
Estimated liabilities	–	–
Deferred income	37,565,887.94	39,773,519.76
Deferred income tax liabilities	29,693,558.05	33,502,589.18
Other non-current liabilities	7,680,184.66	1,442,167.11
TOTAL NON-CURRENT LIABILITIES	115,409,798.73	115,039,741.21
TOTAL LIABILITIES	909,740,002.37	2,016,746,404.65
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):		
Paid-in capital (or share capital)	466,700,000.00	466,700,000.00
Other equity instruments	–	–
Of which: Preference shares	–	–
Perpetual bonds	–	–
Capital reserve	–	–
Less: Treasury stock	–	–
Other comprehensive income	–2,786,642.82	–2,786,642.82
Special reserve	25,636,436.53	25,636,436.53
Surplus reserve	38,565,035.73	38,565,035.73
Undistributed profits	609,873,640.81	461,731,649.36
Owners' equity attributable to the parent company	1,137,988,470.25	989,846,478.80
Minority interests	–	–
TOTAL OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)	1,137,988,470.25	989,846,478.80
LIABILITIES AND OWNERS' EQUITY	2,047,728,472.62	3,006,592,883.45

COMBINED INCOME STATEMENT

Item	<i>Notes</i>	30 June 2024 (Unaudited)	30 June 2023 (Audited)
I. TOTAL OPERATING INCOME	3	906,629,256.98	898,354,369.86
Less: Operating costs	3	686,590,830.07	672,736,557.40
Taxes and surcharges		877,236.48	739,177.86
Selling expenses		–	369,156.07
Administrative expenses	4	43,227,227.39	42,474,968.32
Research and development expenses		804,993.79	758,975.06
Financial costs		–6,810,607.79	–9,911,247.71
Of which: Interest charges		1,720,984.50	5,271,142.44
Interest income		–8,763,445.66	–9,841,436.25
Add: Other income		2,804,174.07	9,223,898.86
Investment income		–	–
Of which: Investment income from associates and joint ventures		–	–
Gain on derecognition of financial assets measured at amortized cost		–	–
Net gain from hedging exposure		–	–
Gain on changes in fair value		–	–
Credit impairment loss		–5,689,057.85	–19,246,248.97
Impairment loss on assets		21,627,705.85	–5,447,266.77
Gain on disposal of assets		–	–
II. OPERATING PROFIT		200,682,399.11	175,717,165.98
Add: Non-operating income		28,051.37	106,713.81
Less: Non-operating expenses		93,296.59	112,691.12
III. TOTAL PROFIT		200,617,153.89	175,711,188.67
Less: Income tax expense	8	52,475,162.44	50,787,451.54

Item	30 June 2024 (Unaudited)	30 June 2023 (Audited)
IV. NET PROFIT	148,141,991.45	124,923,737.13
Of which: Net profit realized by the acquiree of the business combination under common control before the combination	-	-
(I) Classified by continuity of operation	-	-
Net profit from continuing operation	148,141,991.45	124,923,737.13
Net profit from discontinued operation	-	-
(II) Classified by ownership	-	-
Net profit attributable to owners of the parent company	148,141,991.45	124,923,737.13
Minority interests	-	-
V. OTHER COMPREHENSIVE INCOME, NET OF TAX	-	-
Other comprehensive income attributable to owners of the parent company, net of tax	-	-
(I) Other comprehensive income that may not be reclassified to profit or loss	-	-
1. Changes from re-measurement of defined benefit plans, net	-	-
2. Other comprehensive income that may not be transferred to profit or loss under the equity method	-	-
3. Fair value of other equity instrument investments	-	-
4. Changes in fair value of the enterprise's own credit risk	-	-
5. Others	-	-
(II) Other comprehensive income that may be classified to profit or loss	-	-
1. Other comprehensive income that may be transferred to profit or loss under the equity method	-	-
2. Gain or loss from changes in fair value of available-for-sale financial assets	-	-
3. Profit or loss from held-to-maturity investments reclassified to available-for-sale financial assets	-	-

Item	30 June 2024 (Unaudited)	30 June 2023 (Audited)
4. Changes in fair value of other debt investments	–	–
5. Amounts of financial assets reclassified to other comprehensive income	–	–
6. Credit impairment provision for other debt investments	–	–
7. Reserves for cash flow hedges	–	–
8. Differences from translation of financial statement denominated in foreign currency	–	–
9. Investment income from a package disposal of subsidiaries before loss of control	–	–
10. Conversion of other assets to investment property measured by fair value model	–	–
11. Other comprehensive income attributable to minority shareholders, net of tax	–	–
VI. TOTAL COMPREHENSIVE INCOME	148,141,991.45	124,923,737.13
1. Total comprehensive income attributable to owners of the parent company	148,141,991.45	124,923,737.13
2. Total comprehensive income attributable to minority Shareholders	–	–
VII. EARNINGS PER SHARE:		
	7	
(I) Basic earnings per Share	0.32	0.27
(II) Diluted earnings per Share	0.32	0.27

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION OF THE COMPANY

Jilin Province Chuncheng Heating Company Limited (the “Company”), formerly known as “Jilin Province Changre New Energy Co., Ltd.* (吉林省長熱新能源有限公司)” or “Jilin Province Chuncheng Heating Limited Liability Company* (吉林省春城熱力有限責任公司)”, is a joint stock company with limited liability incorporated in the People’s Republic of China (the “PRC”) on 23 October 2017. The registered office of the Company is located at No. 28 (Hongcheng Xiyu), Block B, Nanhu Road Community, 998 Nanhu Road, Nanguan District, Changchun, Jilin Province, the PRC.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in preparation of the combined financial statements for the six months ended 30 June 2024 are consistent with those of the Company’s annual financial statements for the year ended 31 December 2023.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

(2) Financial information of the reportable segments

(1) Segment assets, liabilities and revenue

Item	Heat supply	Construction, maintenance, design and others	Total
30 June 2024 (Unaudited)			
Reportable segment assets	1,883,938,131.03	163,790,341.59	2,047,728,472.62
Reportable segment liabilities	810,652,046.47	99,087,955.90	909,740,002.37
January to June 2024 (Unaudited)			
Segment revenue			
Revenue from external customers	903,853,284.33	11,223,057.67	915,076,342.00
Intersegment revenue	3,577,248.31	4,869,836.71	8,447,085.02
Reportable segment revenue	900,323,867.50	6,305,389.48	906,629,256.98
Reportable segment gross profit	219,994,005.81	44,421.10	220,038,426.91
30 June 2023 (Audited)			
Reportable segment assets	1,984,435,292.88	201,926,592.62	2,186,361,885.50
Reportable segment liabilities	1,058,092,964.51	133,446,745.74	1,191,539,710.25
January to June 2023 (Audited)			
Segment revenue			
Revenue from external customers	882,464,234.07	28,020,363.19	910,484,597.26
Intersegment revenue	3,120,769.23	9,009,458.17	12,130,227.40
Reportable segment revenue	879,343,464.84	19,010,905.02	898,354,369.86
Reportable segment gross profit	217,935,602.22	7,682,210.24	225,617,812.46

(2) *Revenue and other business income*

Item	January to June 2024 (Unaudited)	January to June 2023 (Audited)
Revenue from contracts with customers		
Provision and distribution of heat	859,996,290.50	836,010,649.80
Pipeline connection fee	33,624,881.16	34,801,891.60
Heat transmission	6,702,695.84	8,530,923.44
Engineering construction	1,895,403.15	9,329,477.97
Engineering maintenance	2,541,378.58	–
Design services	1,676,775.53	3,928,780.06
Others	191,832.22	5,752,646.99
Total	906,629,256.98	898,354,369.86

(3) *Costs and other business costs*

Item	January to June 2024 (Unaudited)	January to June 2023 (Audited)
Heat supply	680,329,861.69	661,407,862.62
Of which:		
Heat procurement cost	419,778,228.40	416,316,103.43
Coal	20,771,100.97	26,077,478.86
Maintenance and repair	6,863,573.57	11,650,831.24
Labor	76,641,143.92	67,732,919.66
Depreciation and amortization	64,121,704.22	64,787,459.25
Utility	44,786,282.25	39,828,344.14
Input VAT transferred out	28,791,121.35	28,219,179.79
Others	18,576,707.01	6,795,546.25
Construction, maintenance and design services	6,260,968.38	11,328,694.78
Others	–	–
Total	686,590,830.07	672,736,557.40

4. ADMINISTRATIVE EXPENSES

For the six months ended 30 June 2024, the administrative expenses incurred amounted to RMB43,227,227.39 (for the six months ended 30 June 2023, administrative expenses incurred amounted to RMB42,474,968.32), which mainly represent labor costs, depreciation and amortization expenses, etc.

5. PROFIT BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION

Item	January to June 2024 (Unaudited)	January to June 2023 (Audited)
Net profit	148,141,991.45	124,923,737.13
Income tax expense	52,475,162.44	50,787,451.54
Depreciation of fixed assets provided for	66,888,092.64	66,556,467.98
Amortization of intangible assets provided for	668,972.13	626,736.44
Amortization of long-term deferred expenditures provided for	17,385.32	263,863.24
Interest and investment income	8,763,445.66	9,841,436.25
Interest income from financial institution	–	–
Interest charges	1,720,984.50	5,271,142.44
Interest expenses to financial institution	–	–
Profit before interest, tax, depreciation and amortization	261,149,142.82	238,587,962.52

6. DIVIDEND

(1) Interim dividend

The Board does not recommend the payment of any interim dividend to the Shareholders for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

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

A final dividend of RMB0.09 per Share (tax inclusive) for the financial year ended 31 December 2023 (totaling RMB42,003,000.00) was approved at the 2023 annual general meeting. As at 30 June 2024, the aforesaid final dividend has not yet been distributed to the Shareholders.

7. EARNINGS PER SHARE

	January to June 2024 (Unaudited)	January to June 2023 (Audited)
Net profit attributable to the parent company	148,141,991.45	124,923,737.13
Weighted average number of ordinary Shares in issue during the period	466,700,000.00	466,700,000.00
Earnings per Share	0.32	0.27

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 2024 and 2023.

8. INCOME TAX EXPENSE

(1) List of income tax expense

Item	January to June 2024 (Unaudited)	January to June 2023 (Audited)
Income tax expense for the current period	53,138,389.25	59,820,452.13
Deferred income tax expense	-663,226.81	-9,033,000.59
Total	52,475,162.44	50,787,451.54

(2) Reconciliation between accounting profit and income tax expense

Item	January to June 2024 (Unaudited)
Total profit	200,617,153.89
Income tax expense calculated at statutory/applicable tax rates	50,627,786.98
Effect of different tax rates applicable to subsidiaries	-43,562.13
Effect of adjustments to income tax on prior periods	362,813.63
Effect of non-taxable income	
Effect of non-deductible costs, expenses and losses	
Effect of deductible loss on utilisation of deferred income tax assets that were not recognised in the previous period	307,032.59
Effect of deductible temporary difference or deductible loss on deferred income tax assets that were not recognised in the current period	507,108.74
Others	713,982.63
Income tax expense	52,475,162.44

9. TRADE RECEIVABLES

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

(1) Disclosure of trade receivables based on ageing

Ageing	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Within 1 year	106,989,873.54	108,515,193.83
1 to 2 years	48,640,845.45	25,904,931.63
2 to 3 years	19,891,373.49	26,135,489.12
3 to 4 years	12,377,465.39	10,775,292.73
4 to 5 years	3,051,368.24	9,625,560.60
Over 5 years	16,321,045.86	14,581,959.35
Sub-total	207,271,971.97	195,538,427.26
Less: Provision for bad debts	52,069,343.88	50,053,724.63
Total	155,202,628.09	145,484,702.63

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

Category	30 June 2024 (Unaudited)				Carrying amount
	Carrying balance		Provision for bad debts		
	Proportion		Proportion		
	Amount	(%)	Amount	(%)	
Trade receivables subject to provision for ECL on individual basis					
Trade receivables subject to provision for ECL on portfolio basis	207,271,971.97	100.00	52,069,343.88	25.12	155,202,628.09
Of which: Ageing analysis portfolio					
– Heat supply business	62,539,465.30	30.17	15,173,399.26	24.26	47,366,066.04
Ageing analysis portfolio – Basic heating fee	40,444,245.31	19.51	8,153,873.67	20.16	32,290,371.64
Ageing analysis portfolio – Engineering business	70,220,125.88	33.88	24,180,150.09	34.43	46,039,975.79
Related party portfolio	34,068,135.48	16.44	4,561,920.86	13.39	29,506,214.62
Total	207,271,971.97	100.00	52,069,343.88	25.12	155,202,628.09

Category	31 December 2023 (Audited)				Carrying amount
	Carrying balance		Provision for bad debts		
	Proportion		Proportion		
	Amount	(%)	Amount	(%)	
Trade receivables subject to provision for ECL on individual basis					
Trade receivables subject to provision for ECL on portfolio basis	195,538,427.26	100.00	50,053,724.63	25.60	145,484,702.63
Of which: Ageing analysis portfolio					
– Heat supply business	58,036,201.75	29.68	9,365,069.82	16.14	48,671,131.93
Ageing analysis portfolio – Basic heating fee	31,308,281.76	16.01	6,356,708.01	20.30	24,951,573.75
Ageing analysis portfolio – Engineering business	74,516,321.57	38.11	31,527,256.09	42.31	42,989,065.48
Related party portfolio	31,677,622.18	16.20	2,804,690.71	8.85	28,872,931.47
Total	195,538,427.26	100.00	50,053,724.63	25.60	145,484,702.63

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

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

Ageing	30 June 2024 (Unaudited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	32,625,531.80	2,831,896.16	8.68
1 to 2 years	17,569,667.32	5,130,342.86	29.20
2 to 3 years	5,711,251.12	2,207,398.56	38.65
3 to 4 years	2,696,174.55	1,240,779.53	46.02
4 to 5 years	434,320.18	260,461.82	59.97
Over 5 years	3,502,520.33	3,502,520.33	100.00
Total	62,539,465.30	15,173,399.26	24.26

Ageing	31 December 2023 (Audited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	36,526,685.50	1,101,540.08	3.02
1 to 2 years	8,377,838.95	1,438,742.66	17.17
2 to 3 years	5,314,316.91	1,555,959.13	29.28
3 to 4 years	4,099,033.91	1,671,243.82	40.77
4 to 5 years	272,574.00	151,831.65	55.70
Over 5 years	3,445,752.48	3,445,752.48	100.00
Total	58,036,201.75	9,365,069.82	16.14

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

Ageing	30 June 2024 (Unaudited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	9,320,893.59	634,752.85	6.81
1 to 2 years	18,422,695.56	1,956,490.27	10.62
2 to 3 years	6,381,009.41	956,513.30	14.99
3 to 4 years	2,040,921.31	583,499.40	28.59
4 to 5 years	560,901.45	304,793.86	54.34
Over 5 years	3,717,823.99	3,717,823.99	100.00
Total	40,444,245.31	8,153,873.67	20.16

Ageing	31 December 2023 (Audited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	12,308,310.71	642,426.83	5.22
1 to 2 years	7,885,225.71	714,599.18	9.06
2 to 3 years	6,334,399.74	881,679.06	13.92
3 to 4 years	564,444.72	151,396.24	26.82
4 to 5 years	497,887.78	248,593.60	49.93
Over 5 years	3,718,013.10	3,718,013.10	100.00
Total	31,308,281.76	6,356,708.01	20.30

(3) *Ageing analysis portfolio – Engineering business*

Ageing	30 June 2024 (Unaudited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	34,464,799.91	3,536,088.47	10.26
1 to 2 years	9,858,995.33	2,576,155.48	26.13
2 to 3 years	7,799,112.96	3,362,977.51	43.12
3 to 4 years	7,640,369.53	4,675,142.12	61.19
4 to 5 years	2,056,146.61	1,629,084.97	79.23
Over 5 years	8,400,701.54	8,400,701.54	100.00
Total	70,220,125.88	24,180,150.09	34.43

Ageing	31 December 2023 (Audited)		
	Trade receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	30,159,310.14	1,877,247.92	6.22
1 to 2 years	8,185,132.27	1,926,378.74	23.54
2 to 3 years	14,486,772.47	7,714,909.32	53.25
3 to 4 years	5,916,814.10	4,658,055.01	78.73
4 to 5 years	8,350,098.82	7,932,471.33	95.00
Over 5 years	7,418,193.77	7,418,193.77	100.00
Total	74,516,321.57	31,527,256.09	42.31

10. TRADE PAYABLES

Ageing	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
Within 1 year	22,012,281.21	129,093,997.38
1 to 2 years	40,286,229.32	59,486,726.00
2 to 3 years	46,778,511.63	2,262,399.64
Over 3 years	5,641,149.32	6,742,191.60
Total	114,718,171.48	197,585,314.62

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

In the first half of 2024, the Group adhered to development through innovation and actively enhanced resources allocation. The Group also implemented more intensified energy conservation measures, coordinated development and safety with a focus on promoting the high-quality development of heat supply and production businesses, and successfully accomplished various tasks and missions during the first half of the year.

(1) Heat Supply Business

As at 30 June 2024, the Group had a heat service area of 67.437 million sq.m., representing an increase of 2.301 million sq.m. or 3.53% from 65.136 million sq.m. in the corresponding period of 2023. As for the number of heat supply users, as at 30 June 2024, the Group had 552,448 heat supply users, representing an increase of 19,310 users or 3.62% from 533,138 users in the corresponding period of 2023. For the six months ended 30 June 2024, the Group's revenue from heat supply business was RMB900.32 million, representing an increase of RMB20.98 million or 2.39% from RMB879.34 million in the corresponding period of 2023.

1. Customers

Customers of the Group's heat supply business are generally residential and non-residential users within the Group's heat service area. The table below sets out a breakdown of the number of, and percentage of revenue contribution by, residential and non-residential users of the Group as at 30 June 2024.

	As at 30 June 2024		As at 30 June 2023	
	Number of customers	% of revenue from provision and distribution of heat	Number of customers	% of revenue from provision and distribution of heat
Residential users ⁽¹⁾	493,789	89.38%	469,818	88.12%
Non-residential users ⁽²⁾	<u>58,659</u>	<u>10.62%</u>	<u>63,320</u>	<u>11.88%</u>
Total	<u>552,448</u>	<u>100%</u>	<u>533,138</u>	<u>100%</u>

Notes:

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

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

2. *Heat procurement*

For the six months ended 30 June 2024, the total heat procurement by the Group from local cogeneration plants and its controlling Shareholder, Chuncheng Investment, amounted to 11.70 million GJ and 1.01 million GJ respectively, with a total heat procurement of 12.71 million GJ, among which 11.56 million GJ of heat was used for the Company's heat supply and production purposes.

3. *Heat resale*

For the six months ended 30 June 2024, approximately 1.15 million GJ of heat procurement quota obtained from cogeneration plants and Chuncheng Investment, the controlling Shareholder, by the Group was transferred to four other heat service providers. The Group received heat transmission fees aggregating RMB6.70 million from these four heat service providers.

The following table sets forth the breakdown of the usage data of heat procured by the Group between January to June 2024 and in the corresponding period of 2023:

	January to June 2024	January to June 2023
Estimated heat procurement quota (GJ) ⁽¹⁾	13,900,000	13,900,000
Heat procurement quota transferred (GJ) ⁽²⁾	1,152,499	1,393,754
Actual consumption (GJ) ⁽³⁾	11,557,948	11,532,694
Total heat procured (GJ) ⁽⁴⁾	12,710,447	12,926,448
Utilization rate ⁽⁵⁾	83.15%	82.97%

Notes:

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

(2) Construction, Maintenance and Design Services and Others

The Group's business of construction, maintenance, design and others covers the peripheral services business of the heat supply industry chain, mainly providing services such as construction and building of heat supply facilities, engineering maintenance and project design for heat supply enterprises or end-users. These businesses are mainly concentrated in the northeast region of China. For the six months ended 30 June 2024, revenue generated from the Group's construction, maintenance, design services and other businesses amounted to RMB6.31 million, representing a decrease of RMB12.70 million, or 66.83%, from RMB19.01 million for the corresponding period in 2023.

In the first half of the year, the engineering construction business undertook a total of 19 projects, including key projects such as the Part Pipeline Network Project in Cogeneration Plant No. 4 (熱電四廠部分管網工程) and the Chuncheng Heating Pipeline Network Emergent Repair (春城熱力一次網搶修項目). In the first half of the year, the engineering maintenance business undertook a total of 20 projects, including key projects such as the 2022 Urban Aging Gas Pipeline Replacement and Improvement Project in Lvyuan District (綠園區2022年城市燃氣管道老化更新改造項目) and the Project of "One Plant, One Policy" Quality Improvement and Efficiency Enhancement of Five Largest Wastewater Treatment Systems in Changchun City (長春市五大污水處理系統「一廠一策」提質增效工程). In the first half of the year, the design services business undertook five design projects, including key projects such as the Design of Heat Exchange Station and Primary Network for the Infrastructure Construction Project of the Digital Economy Innovation and Entrepreneurship Industrial Park in Erdao District (二道區數字經濟雙創產業園基礎設施建設項目換熱站及一次網工程設計) and the Heat Exchange Station and Heating External Network for Detong Street Fire Rescue Station in Dehui City (德惠市德通街消防救援站換熱站及採暖外網).

(3) Safety Management

In the first half of 2024, the Group had been attaching great importance to production safety, fully implemented the major decisions and deployments of the governments at all levels on production safety, and always adhered to the philosophy of production safety of “safety first, with focus on prevention and implementing comprehensive management” (安全第一、預防為主、綜合治理). The Group strictly complied with the regulations on standardized production safety, and ensured the successful completion of the safety targets of the first half of the year by conducting safety supervision inspections, safety education and training, production safety drills, safety month promotions, fire equipment testing and replacement, occupational health declarations etc. During the Reporting Period, the Group did not record any major safety accidents.

(4) Technology and R&D

The Group has developed the “Equipment Ledger Management System” (設備台賬管理系統) based on the actual needs of equipment management. Currently, some functions of the PC and mobile terminals are being developed and optimised, with overall progress approaching 90%, and it is expected to be officially launched and put into use in the second half of 2024. The system will further enhance the digital management level of the Group’s equipment assets.

During the Reporting Period, the Group obtained 1 utility model patent and 1 patent for invention issued by the China National Intellectual Property Administration and 3 computer software copyright certificates issued by the National Copyright Administration.

(5) Honors and Awards

On 8 January 2024, the Group was awarded the “2023 Advanced Unit of Mayor’s Citizen Hotline” (2023年度市長公開電話工作先進單位) and the “2023 Advanced Unit of Director’s Reception Day” (2023年度局長接待日工作先進單位) by the General Office of Changchun Municipal People’s Government.

II. FINANCIAL POSITION AND OPERATING RESULTS

(1) Revenue

For the six months ended 30 June 2024, the Group's revenue was RMB906,629.3 thousand, compared to RMB898,354.4 thousand for the corresponding period of 2023, representing an increase of 0.92%, primarily due to the increase in revenue from the heat supply business.

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

	For the six months ended 30 June		
	2024 RMB0'000 (Unaudited)	2023 RMB0'000 (Audited)	Change in percentage
Heat supply, of which:			
– Heating fee income	85,999.63	83,601.06	2.87%
– Pipeline connection fee	3,362.49	3,480.19	–3.38%
– Pipeline transmission fee	670.27	853.09	–21.43%
Sub-total	90,032.39	87,934.35	2.39%
Construction, maintenance and design services, of which:			
– Engineering construction	189.54	932.95	–79.68%
– Engineering maintenance	254.14	–	100.00%
– Design services	167.68	392.88	–57.32%
– Others	19.18	575.26	–96.67%
Sub-total	630.54	1,901.09	–66.83%
Total	90,662.93	89,835.44	0.92%

(2) *Other Income and Other Net Gains*

For the six months ended 30 June 2024, the Group's other income and other net gains amounted to RMB11,595.7 thousand, as compared with RMB19,172.0 thousand for the corresponding period of 2023, representing a decrease of 39.52%, which was principally attributable to (i) other income of RMB2,804.2 thousand for the six months ended 30 June 2024, as compared with RMB9,223.9 thousand for the corresponding period of 2023, representing a decrease of 69.60%, which was attributable to a decrease in other income as a result of the fact that the Company received fewer government grant, including heat supply subsidy and listing incentive fund for January to June in 2024, as compared to the corresponding period of 2023; (ii) interest income from bank deposits of RMB8,763.4 thousand for the six months ended 30 June 2024, as compared with RMB9,841.4 thousand for the corresponding period of 2023, representing a decrease of 10.95%, which was attributable to the decrease in interest income as a result of a decrease in bank deposits of the Company during the period from January to June in 2024.

(3) *Operating Costs*

For the six months ended 30 June 2024, the Group's operating costs amounted to RMB686,590.8 thousand, as compared with RMB672,736.6 thousand for the corresponding period of 2023, representing an increase of 2.06%. The following table sets out the breakdown of operating costs by business segment:

	For the six months ended 30 June		Change inpercentage
	2024	2023	
	RMB0'000 (Unaudited)	RMB0'000 (Audited)	
Operating costs by business segment			
Heat supply	68,032.99	66,140.79	2.86%
Construction, maintenance and design services	626.10	1,132.87	-44.73%
Total	<u>68,659.08</u>	<u>67,273.66</u>	<u>2.06%</u>

Heat supply costs

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

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

	For the six months ended 30 June		Change in percentage
	2024 RMB0'000 (Unaudited)	2023 RMB0'000 (Audited)	
Cost of sales for heat supply			
Heat procurement costs	41,977.82	41,631.61	0.83%
Coal	2,077.11	2,607.75	-20.35%
Maintenance and repair	686.36	1,165.08	-41.09%
Wage	7,664.11	6,773.29	13.15%
Depreciation and amortization	6,412.17	6,478.75	-1.03%
Utility	4,478.63	3,982.83	12.45%
Input VAT transferred out	2,879.11	2,821.92	2.03%
Others	1,857.67	679.55	173.37%
Total	<u>68,032.99</u>	<u>66,140.79</u>	<u>2.86%</u>

For the six months ended 30 June 2024, the Group's heat procurement cost was RMB419,778.2 thousand as compared to RMB416,316.1 thousand for the corresponding period of 2023, representing an increase of 0.83%, which remained largely stable as compared with last period.

For the six months ended 30 June 2024, the Group's coal cost was RMB20,771.1 thousand, as compared to RMB26,077.5 thousand for the corresponding period of 2023, representing a decrease of 20.35%, which was mainly due to the decrease in the unit price of coal purchases as compared to last year.

For the six months ended 30 June 2024, the Group's maintenance and repair costs amounted to RMB6,863.6 thousand, as compared to RMB11,650.8 thousand for the corresponding period of 2023, representing a decrease of 41.09%, mainly due to the fact that there were less cases of pipeline damage and accordingly less pipeline repairs and replacements in the current period.

Costs for construction, maintenance and design services

Operating costs for construction, maintenance and design services primarily consists of cost of materials, labor, machinery and other costs. For the six months ended 30 June 2024, the Group's operating costs for construction, maintenance and design services amounted to RMB6,261 thousand, as compared with RMB11,328.7 thousand for the corresponding period of 2023, representing a decrease of 44.73%. The change in operating costs was generally in line with the decrease in revenue for construction, maintenance and design services.

(4) *Gross Profit and Gross Profit Margin*

For the six months ended 30 June 2024, the Group's gross profit amounted to RMB220,038.4 thousand, as compared with RMB225,617.8 thousand for the corresponding period of 2023, representing a decrease of 2.47%. This was mainly due to increase in labor workers and utilities costs, etc.

(5) *Administrative Expenses*

For the six months ended 30 June 2024, the Group's administrative expenses amounted to RMB43,227.2 thousand, as compared with RMB42,475.0 thousand for the corresponding period of 2023, representing an increase of 1.77%, which was primarily due to (i) an increase in depreciation due to higher amount of fixed assets newly purchased in the current period; (ii) an increase in the salaries of management personnel or an increase in the number of recruited management cadres.

(6) *Finance Costs*

For the six months ended 30 June 2024, the Group's finance costs amounted to RMB1,721.0 thousand, as compared with RMB5,271.1 thousand for the corresponding period of 2023, representing a decrease of 67.35%, which was principally due to the decrease in the Group's total amount of loan compared with the same period of last year.

(7) *Income Tax Expense*

For the six months ended 30 June 2024, the Group's income tax expense was RMB52,475.2 thousand, as compared with RMB50,787.5 thousand for the corresponding period of 2023, representing an increase of 3.32%, which was primarily due to: (i) the decrease in income tax in the current period due to the decrease in taxable income in the current period calculated in accordance with the Enterprise Income Tax Law and its related regulations as compared with the same period of last year; (ii) the increase in deferred income tax expense due to the decrease in bad debts and write-back of bad debts in the current period. Income tax expense increased in the current period due to the combination of above main reasons.

(8) Profit for the Period

For the six months ended 30 June 2024, the Group's profit for the period amounted to RMB148,142.0 thousand, as compared with RMB124,923.7 thousand for the corresponding period of 2023, representing an increase of 18.59%. This was primarily due to the fact that (i) profit increased due to the decrease in bad debts, credit impairment loss and impairment loss on assets in the current period as compared to the same period of last year; (ii) revenue for the current period mainly represented by revenue from heat supply continuously increased, due to continuous increase in heat service area and the number of heat supply users; and (iii) the Group optimized the intelligent heat network control and strengthened its operation and management, which enhanced the efficiency of production and operation.

(9) Profit Attributable to Owners of the Company

For the six months ended 30 June 2024, profit attributable to owners of the Company was RMB148,142.0 thousand as compared with RMB124,923.7 thousand for the corresponding period of 2023, representing an increase of 18.59%. Profit attributable to owners of the Company was in line with profit for the period.

(10) Liquidity and Capital Resources

As at 30 June 2024, the Group had cash and cash equivalents of RMB553,826.0 thousand, representing a decrease of 50.15% as compared with the balance of RMB1,111,041.6 thousand as at 31 December 2023. Such change was mainly because (i) cash inflow generated from the collection of heat fee and cash outflow generated from the purchase of heat sources were mainly in the second half of the year, resulting in a decrease of RMB894,862.0 thousand in net cash inflow from operating activities for the current period as compared with the corresponding period; (ii) there was an inflow from additional borrowings of RMB70,280.0 thousand and an outflow from repayment of debts, dividend distribution and interest repayment of RMB359,654.0 thousand in the previous period; and (iii) the net cash inflow from financing activities increased by RMB287,837.9 thousand for the current period as compared with that of the previous period.

(11) Capital Expenditure

For the six months ended 30 June 2024, the Group's capital expenditure amounted to RMB60,160.0 thousand, as compared with RMB4,105.0 thousand for the corresponding period of 2023, representing an increase of 1,365.53%. This was mainly attributable to the increase in the purchase of fixed assets during the current period.

(12) Capital Structure

As at 30 June 2024, the equity attributable to owners of the Group amounted to RMB1,137,988.5 thousand, representing an increase of RMB148,142.0 thousand as compared with 31 December 2023. This was mainly due to the increase in profit during the period. As at 30 June 2024, the Group's total interest-bearing bank and other borrowings amounted to approximately RMB35,000.0 thousand at a fixed interest rate of 3.9% 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 2024, the Group's cash and cash equivalents exceeded the Group's total interest-bearing liabilities.

(13) Material Acquisitions and Disposals

On 19 March 2024, Yatai Heating and Chuncheng Investment entered into an assets transfer agreement, pursuant to which Yatai Heating has agreed to purchase, and Chuncheng Investment has agreed to sell, certain of its buildings, coal-fired boilers, land use rights and ancillary equipment used for heat production purposes, at a consideration of RMB38,950,960. Please refer to the Company's announcements dated 19 March 2024 and 22 March 2024 for further details.

Save as disclosed above, during the six months ended 30 June 2024, the Group did not have any material acquisitions and disposals.

(14) Charge on Assets

As at 30 June 2024, the Group did not have any charge on assets.

(15) Contingencies

As at 30 June 2024, the Group did not have any material contingencies.

III. PROSPECT FOR THE SECOND HALF OF 2024

In the second half of the year, the Group will constantly implement its annual production and operation policies with a focus on the target of improving the quality of heat supply and reasonably reducing energy consumption by putting more efforts in the following areas:

- (i) To endeavour to carry out key construction projects for ultra-low emission transformation of coal power units in boiler rooms, install or upgrade desulphurization and dust removal equipment in compliance with the ultra-low emission standards, and coordinate with the gradual implementation of the “14th Five-Year Plan” comprehensive implementation plan for energy conservation and emission reduction in Jilin Province;
- (ii) To continuously enhance the intelligence of the heating system by leveraging the digital intelligence integration platform and strengthen the intelligent and precise regulation and control of the source, network, station, pipeline and household in the heating system, to effectively reduce energy consumption and practically improve the efficiency of energy utilisation;
- (iii) To endeavour to solve the problems identified during the summer inspection and maintenance and implement construction projects such as pipeline network renovation, station equipment replacement, and civil engineering repairs, to ensure the stable operation of the heat supply system and optimise the service quality of heat supply customer;
- (iv) To further strengthen the development of heating pipeline network, while alleviate the problem of insufficient heat in some areas by optimising the distribution of heat through main heating pipelines;
- (v) To keep enhancing the development of businesses such as engineering design, construction and maintenance.

IV. EVENTS AFTER THE REPORTING PERIOD

At the Company’s first extraordinary general meeting of 2024 held on 26 July 2024, BDO China Shu Lun Pan Certified Public Accountants LLP was appointed as the auditors of the Company with immediate effect after the conclusion of the extraordinary general meeting and to hold office until the conclusion of the next annual general meeting of the Company. Please refer to the Company’s announcements dated 8 July 2024 and 26 July 2024 and circular dated 11 July 2024 for further details.

Since 30 June 2024 and up to the date of this announcement, save as disclosed in this announcement, there is no other material events or transactions affecting the Group.

OTHER INFORMATION

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

Compliance with Corporate Governance Code

As a company listed on the Hong Kong Stock Exchange, the Company always strives to maintain a high level of corporate governance. Save as disclosed below, the Company complies with code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix C1 to the Listing Rules throughout the Reporting Period.

The positions of the chairman of the Board and the general manager of the Company are held separately. Prior to his resignation in 21 March 2024, Mr. SUN Huiyong was a non-executive director and the Chairman of the Board. Mr. SONG Chi was appointed as Chairman of the Board with effect from 31 May 2024 to fill the vacancy following the resignation of Mr. SUN Huiyong. Mr. YANG Zhongshi is the Company’s general manager. Accordingly, during the period between 21 March 2024 and 30 May 2024, the role of the Chairman of the Board of the Company became vacant which deviated from Code Provision C.2.1 of the CG Code.

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

For the six months ended 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities or redeemable securities (including sale of treasury Shares). As of 30 June 2024, the Company did not hold any treasury Shares.

Review of Interim Results

The Company has established the Audit Committee of the Company with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Mr. Poon Pok Man, Mr. Fu Yachen and Ms. Zhang Yan. Mr. Poon Pok Man, an independent non-executive Director, is the chairman of the Audit Committee. The Audit Committee of the Company and the independent auditor of the Company have reviewed the interim results of the Group for the six months ended 30 June 2024, and have agreed with the accounting treatment adopted by the Company.

DEFINITIONS

“ASBEs”	the Accounting Standards for Business Enterprises – Basic Standards (《企業會計準則–基本準則》) issued by the Ministry of Finance and the specific accounting standards for business enterprises, the practice note for the ASBEs, the interpretation of ASBEs and other relevant requirements
“Board”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Chuncheng Investment”	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司), previously known as Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the controlling Shareholder of the Company
“Company”	Jilin Province Chuncheng Heating Company Limited* (吉林省春城熱力股份有限公司) (stock code: 1853), a company incorporated in the PRC on 23 October 2017 and is a joint stock limited liability company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“heat service area”	gross floor areas covered by our heat supply, including both the heat service area which we fully or partially charge for heat fees
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Reporting Period”	the period from 1 January 2024 to 30 June 2024

“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
“Yatai Heating”	Changchun Yatai Heating Company Limited* (長春亞泰熱力有限責任公司), a wholly-owned subsidiary of the Company
“%”	percent

By Order of the Board
Jilin Province Chuncheng Heating Company Limited*
Song Chi
Chairman

Jilin, the PRC, 28 August 2024

As at the date of this announcement, the non-executive Director of the Company is Mr. Song Chi (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. Fu Yachen, Mr. Poon Pok Man and Ms. Zhang Yan.

* *For identification purpose only*