



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

INTERIM REPORT 2021



* For identification purpose only

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INTERIM RESULTS

The board of directors (the “Board”) of Jilin Province Chuncheng Heating Company Limited (the “Company” or “we”) hereby announces the unaudited operating results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021, which were prepared in accordance with the Chinese Accounting Standards for Business Enterprises (the “ASBEs”), together with the comparative operating results for the corresponding period of 2020. For the six months ended 30 June 2021, the Group’s revenue was RMB881,825.2 thousand, representing an increase of 40.06% as compared with the corresponding period of 2020; profit before tax was RMB156,957.3 thousand, representing an increase of 29.22% as compared with the corresponding period of 2020; profit attributable to equity holders of the Company was RMB117,451.6 thousand, representing an increase of 31.12% as compared with the corresponding period of 2020; earnings per share was RMB0.25, representing an increase of RMB0.06 as compared with the corresponding period of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	320,452	100%	320,333	100%

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.

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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 to June 2021	January to 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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 Nangan 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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” (热力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.

MANAGEMENT DISCUSSION AND ANALYSIS

- (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)”.

MANAGEMENT DISCUSSION AND ANALYSIS

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	84,339.42	55,555.79	51.81%
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	3,843.10	7,403.77	–48.09%
Total	88,182.52	62,959.56	40.06%

MANAGEMENT DISCUSSION AND ANALYSIS

(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 RMB0'000 (Unaudited)	2020 RMB0'000 (Unaudited)	Change in percentage
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 the operating costs for both the current period and the previous period. As such, the operating costs for the previous period as disclosed herein 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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		Change in percentage
	2021 RMB0'000 (Unaudited)	2020 RMB0'000 (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%
Total	63,947.89	41,505.13	54.07%

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 the operating costs for both the current period and the previous period. As such, the operating costs for the previous period as disclosed herein is less than the disclosed amount in the 2020 interim report by RMB1,583 thousand, which included heat supply cost of RMB348 thousand.

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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, 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 the operating costs for both the current period and the previous period. As such, the operating costs for the previous period as disclosed herein 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

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(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 Matters

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

III. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(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.

IV. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

V. 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 report 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.

VI. EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

The Company has always been committed to enhancing its corporate governance standard and regarded corporate governance as an integral part to creating values for Shareholders. The Company has established a modern corporate governance structure which comprises a number of independently operated and effectively balanced bodies including general meetings, Board of Directors, Board of Supervisors and senior management with reference to the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and the requirements of the Articles of Association. The Company has also adopted the Corporate Governance Code as its own corporate governance practices.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board is committed to maintaining high corporate governance standards. The Board believes that high corporate governance standards are essential in safeguarding the interests of the Shareholders and enhancing corporate value and accountability. The Company has applied the principles set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

The Directors consider that the Company has complied with the applicable code provisions as set out in the Corporate Governance Code during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Company has adopted Appendix 10 to the Listing Rules as the Model Code for Directors, Supervisors and relevant employees of the Company in dealing in securities of the Company. Based on the specific enquiry made by the Company with all Directors and Supervisors, all Directors and Supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the Reporting Period.

The Company is not aware of any non-compliance of the Model Code by the Directors, Supervisors or relevant employees during the Reporting Period.

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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has appointed a sufficient number of independent non-executive Directors with appropriate professional qualifications or appropriate accounting or relevant financial management expertise in accordance with the requirements of the Listing Rules. The Company appointed a total of three independent non-executive Directors, namely Mr. Wang Yuguo, Mr. Fu Yachen and Mr. Poon Pok Man.

The first meeting of the independent non-executive Directors for 2021 was convened by the Company on 26 March 2021 to mainly consider the implementation of the connected transactions for 2020, the application of annual cap for the continuing connected transactions for the year 2021-2023, and the review of the performance of the non-competition agreements.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules, the terms of reference of which are available on the websites of the Hong Kong Stock Exchange and the Company. During the Reporting Period, the audit committee comprised three Directors, namely Mr. Poon Pok Man (independent non-executive Director), Mr. Liu Changchun (non-executive Director) and Mr. Wang Yuguo (independent non-executive Director). Mr. Poon Pok Man is the chairman of the audit committee.

The first meeting of the audit committee for 2021 was convened on 26 March 2021 by the Company, at which the following resolutions were considered and passed:

- (1) Resolution on the effectiveness of the Company's financial controls, internal controls and risk management;
- (2) Resolution on the major internal audit matters for 2020 and the approval of future internal audit plans, fee budgets, and other related matters;
- (3) Resolution on the implementation of the connected transactions and the regulations governing the connected transactions for 2020;
- (4) Resolution on the application of annual cap for the continuing connected transactions for the year 2021-2023;
- (5) Resolution on the 2020 audited consolidated financial statements (near final version);
- (6) Resolution on the 2020 annual results announcement (near final version);
- (7) Resolution on the 2020 annual report (near final version);
- (8) Resolution on the re-appointment of Da Hua Certified Public Accountants as the external auditor.

On 27 August 2021, the audit committee of the Company has reviewed and confirmed the interim results announcement for the six months ended 30 June 2021, the interim report for 2021, and the unaudited interim financial statements for the six months ended 30 June 2021 prepared in accordance with ASBEs.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance with the Listing Rules, the terms of reference of which are available on the websites of the Hong Kong Stock Exchange and the Company. During the Reporting Period, the remuneration committee comprised three Directors, namely, Mr. Fu Yachen (an independent non-executive Director), Mr. Xu Chungang (an executive Director) and Mr. Poon Pok Man (an independent non-executive Director). Mr. Fu Yachen is the chairman of the remuneration committee.

During the six months ended 30 June 2021, the remuneration committee has held a total of 2 meetings. The first meeting of the remuneration committee for 2021 was convened on 26 March 2021 by the Company, at which a resolution in relation to the review of the remuneration of the Directors, Supervisors and senior management, remuneration policy and remuneration structure was passed.

The second meeting of the remuneration committee for 2021 was convened on 28 May 2021 by the Company, at which a resolution in relation to the service contracts of the Directors and Supervisors was passed.

CORPORATE GOVERNANCE

NOMINATION COMMITTEE

The Company has established a nomination committee with written terms of reference in compliance with the Listing Rules and its terms of reference are available on the websites of the Hong Kong Stock Exchange and the Company. During the Reporting Period, the nomination committee comprised three Directors, namely Mr. Wang Yuguo (an independent non-executive Director), Mr. Yang Zhongshi (an executive Director) and Mr. Fu Yachen (an independent non-executive Director). Mr. Wang Yuguo is the chairman of the nomination committee.

The first meeting of the nomination committee for 2021 was convened on 26 March 2021 by the Company, at which the following resolutions were considered and passed:

- (1) Resolution on the structure, size, composition and diversity of the Board;
- (2) Resolution on the assessment of the independence of the independent non-executive Directors;
- (3) Resolution on the assessment of the leadership and contributions of the Directors;
- (4) Resolution on the performance of the corporate governance functions and related matters;
- (5) Resolution on the re-election of the Board and the nomination of Directors.

STRATEGY COMMITTEE

The Company has established a strategic committee with written terms of reference in compliance with the Listing Rules and its terms of reference are available on websites of the Hong Kong Stock Exchange and the Company. During the Reporting Period, the strategic committee comprised three Directors, namely Mr. Liu Changchun (a non-executive Director), Mr. Wang Yuguo (an independent non-executive Director) and Mr. Shi Mingjun (an executive Director). Mr. Liu Changchun is the chairman of the strategic committee.

During the six months ended 30 June 2021, the strategic committee held a total of 2 meetings. The first meeting of the strategic committee for 2021 was convened on 22 February 2021, at which a resolution in relation to a share purchase plan and the commencement of clean fuel business was passed.

The second meeting of the strategic committee for 2021 was convened on 26 March 2021 by the Company, at which a resolution in relation to the 2020 environmental, social and governance report (near final version) was passed.

OTHER INFORMATION

SHARE CAPITAL

As at 30 June 2021, the total share capital of the Company comprised 466,700,000 Shares, divided into 350,000,000 Domestic Shares and 116,700,000 H Shares, with par value of RMB1.00 each. After the Listing of the H Shares on the Main Board of the Hong Kong Stock Exchange, the Company did not issue any new Shares in exchange for cash.

INTERIM DIVIDEND

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

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.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, no Director, Supervisor or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed to be their interests or short positions in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES

As at 30 June 2021, to the knowledge of the Directors, any person (other than a Director, Supervisor or chief executive of the Company) who have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholders	Types of Shares	Capacity	Number of Shares/ underlying Shares held (share) (Note 4)	Percentage of relevant class of share capital (%) (Note 5)	Percentage of total share capital (%) (Note 6)
Changchun Heating (Group) Co., Ltd.	Domestic Shares	Beneficial owner	325,500,000(L)	93.00	69.75
Changchun State-owned Capital Investment Operation (Group) Co., Ltd.	Domestic Shares	Beneficial owner	24,500,000(L)	7.00	5.25
China Foreign Economic and Trade Trust Co., Ltd. (Note 1)	H Shares	Trustee	29,202,500(L)	25.02	6.26
Cititrust Private Trust (Cayman) Limited (Note 2)	H Shares	Interest of a controlled corporation	26,750,000(L)	22.92	5.73
Fantasy Races Limited (Note 2)	H Shares	Interest of a controlled corporation	26,750,000(L)	22.92	5.73
Harvest Well Holdings Limited (Note 2)	H Shares	Interest of a controlled corporation	26,750,000(L)	22.92	5.73
Ming Fai International Limited (Note 2)	H Shares	Interest of a controlled corporation	26,750,000(L)	22.92	5.73
Joywise Holdings Limited (Note 2)	H Shares	Interest of a controlled corporation	26,750,000(L)	22.92	5.73
Sunshine 100 China Holdings Ltd. (Note 2)	H Shares	Beneficial owner	26,750,000(L)	22.92	5.73
SDIC Taikang Trust Co., Ltd. (Note 3)	H Shares	Trustee	17,510,000(L)	15.00	3.75

Notes:

- China Foreign Economic and Trade Trust Co., Ltd. is the trustee of SCBCN – Foreign Economy and Trade Trust Co., Ltd-Fotic Wuxingbaichuan No. 37 Unitrust.
- Sunshine 100 China Holdings Ltd. is interested in 26,750,000 H Shares. Sunshine 100 China Holdings Ltd. is owned as to 66.34% by Joywise Holdings Limited; Joywise Holdings Limited is owned as to 60% and 40% by Harvest Well Holdings Limited and Ming Fai International Limited, respectively; each of Harvest Well Holdings Limited and Ming Fai International Limited is owned as to 72.4% by Fantasy Races Limited; and Fantasy Races Limited is owned as to 100% by Cititrust Private Trust (Cayman) Limited. As such, by virtue of the SFO, Joywise Holdings Limited, Ming Fai International Limited, Harvest Well Holdings Limited, Fantasy Races Limited and Cititrust Private Trust (Cayman) Limited are deemed to be interested in the H Shares held by Sunshine 100 China Holdings Ltd.
- SDIC Taikang Trust Co., Ltd. is the trustee of SDIC Taikang Trust – Ruijin No. 7 & 8 QDII Single Fund Trust.
- The Letter “L” denotes the relevant person’s long position in such Shares.
- Based on 350,000,000 Domestic Shares or 116,700,000 H Shares of the Company in issue as at 30 June 2021.
- Based on the total issued share capital of the Company of 466,700,000 Shares as at 30 June 2021.

OTHER INFORMATION

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 net proceeds immediately after revision of allocation	Amount utilized after revision of allocation	Unutilized net proceeds as at 30 June 2021	Expected timeline for utilizing the unutilized net proceeds
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%)	–	–
	199.5 (100.0%)	-31.6 (15.8%)	–	167.9 (84.2%)	-154.7 (77.6%)	13.2 (6.6%)	

OTHER INFORMATION

- 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.

CHANGE IN INFORMATION OF DIRECTORS AND SUPERVISORS

Mr. Liu Changchun, chairman of the Board, has been serving as the general manager of Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司) since March 2021. Mr. Poon Pok Man, an independent non-executive Director, has been serving as the company secretary of Asia Energy Logistics Group Limited since April 2021.

STAFF AND REMUNERATION POLICY

As at 30 June 2021, the Group had a total of 1,653 employees. The remuneration of the Group's employees comprised basic salary and performance bonus. Performance bonus is determined based on the Group's results performance and individual performance evaluation.

SIGNIFICANT LEGAL PROCEEDINGS

As at 30 June 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

COMBINED STATEMENT OF FINANCIAL POSITION

Reporting entity: Jilin Province Chuncheng Heating Company Limited

Unit: RMB

Item	Note VI	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	(I)	233,146,293.10	267,095,015.96
Trade receivables financing		51,889,591.34	125,254,548.10
Prepayments	(II)	16,532,471.42	449,878,210.82
Other receivables	(III)	1,502,811.77	1,438,269.57
Inventories		11,442,408.32	11,840,378.51
Contract assets	(IV)	110,799,745.91	234,144,626.02
Assets held-for-sale			
Non-current assets due within one year			
Other current assets	(V)	23,483,916.61	4,482,464.04
TOTAL CURRENT ASSETS		663,946,436.53	1,876,760,391.37
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	(VI)	7,733,625.00	7,870,252.37
Fixed assets	(VI)	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	(VI)	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

COMBINED STATEMENT OF FINANCIAL POSITION

Reporting entity: Jilin Province Chuncheng Heating Company Limited

Unit: RMB

Item	Note VI	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	(VII)	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	(VIII)	87,025,164.29	31,602,945.89
Liabilities held for sale			
Non-current liabilities due within one year	(IX)	762,715.29	776,982.33
Other current liabilities	(X)	279.62	5,322,271.63
TOTAL CURRENT LIABILITIES		879,678,578.57	2,223,227,794.56
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			
Of which: Specially approved reserve funds			
TOTAL NON-CURRENT LIABILITIES		123,288,072.55	128,993,716.26
TOTAL LIABILITIES		1,002,966,651.12	2,352,221,510.82

COMBINED STATEMENT OF FINANCIAL POSITION

Reporting entity: Jilin Province Chuncheng Heating Company Limited

Unit: RMB

Item	Note VI	30 June 2021 (Unaudited)	31 December 2020 (Audited)
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY):			
Paid-in capital (or Share capital)	(XI)	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)

Legal representative:
Liu ChangchunPerson in charge of accounting function:
Xu ChungangPerson in charge of accounting department:
Tan Hongyan

COMBINED INCOME STATEMENT

Reporting entity: Jilin Province Chuncheng Heating Company Limited

Unit: RMB

Item	Note VI	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
I. TOTAL OPERATING INCOME	(XIII)	881,825,161.87	629,595,606.41
II. TOTAL OPERATING COSTS			
Less: Operating costs	(XIV)	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	(XV)	49,609,496.82	44,337,591.02
Research and development expenses		898,082.67	
Finance costs		-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)			
III. 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	
IV. TOTAL PROFIT (PRESENTED BY "-" FOR LOSS)		156,957,284.81	121,464,517.62
Less: Income tax expenses	(XVI)	39,505,670.37	31,889,273.63
V. NET PROFIT (PRESENTED BY "-" FOR LOSS)	(XVII)	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			
VI. 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			

COMBINED INCOME STATEMENT

Reporting entity: Jilin Province Chuncheng Heating Company Limited

Unit: RMB

Item	Note VI	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
(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			
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			
VII. 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			
VIII. EARNINGS PER SHARE:			
Basic earnings per share	(XIX)	0.25	0.19
Diluted earnings per share	(XIX)	0.25	0.19

- Notes: 1. Operating costs for the six months ended 30 June 2020 amounted to RMB476,560.0 thousand, representing a difference of RMB-1,583.0 thousand from the cost of sales of RMB478,143.0 thousand for the corresponding period of previous year, was due to operating costs for the Reporting Period excluded taxes and surcharges, while cost of sales for the corresponding period of previous year included taxes and surcharges.
2. Credit impairment loss and impairment loss on assets for the six months ended 30 June 2020 amounted to RMB-587 thousand and RMB6,040 thousand respectively, bringing about a total amount of RMB5,453 thousand which was in line with net impairment on financial and contract assets of RMB5,453 thousand for the corresponding period of previous year.

Legal representative:
Liu Changchun

Person in charge of accounting function:
Xu Chungang

Person in charge of accounting department:
Tan Hongyan

COMBINED STATEMENT OF CASH FLOWS

Reporting entity: Jilin Province Chuncheng Heating Company Limited

Unit: RMB

Item	Note VI	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		333,299,463.26	257,123,411.38
Refund of taxes and surcharges		16,241.40	67,500.00
Cash received relating to other operating activities		448,736,700.42	302,989,907.33
Sub-total of cash inflows from operating activities		782,052,405.08	560,180,818.71
Cash paid for purchase of goods and receipt of services		472,251,162.54	415,727,902.93
Cash paid to and on behalf of employees		126,992,909.71	84,576,096.82
Payments of taxes and surcharges		99,218,168.54	60,048,177.13
Cash paid relating to other operating activities		502,869,884.66	282,536,574.64
Sub-total of cash outflows from operating activities		1,201,332,125.45	842,888,751.52
Net cash flows from operating activities		-419,279,720.37	-282,707,932.81
II. Cash flows from investing activities:			
Cash received from recovery of investments			
Cash received from returns on investments			
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other operating entities			
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		70,709,614.55	7,383,871.30
Cash paid to acquire investments		118,376,300.00	30,192,000.00
Net cash paid to acquire subsidiaries and other operating entities			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities		189,085,914.55	37,575,871.30
Net cash flows from investing activities		-189,085,914.55	-37,575,871.30
III. Cash flows from financing activities:			
Cash received from capital contributions			
Of which: Cash received from investment by minority Shareholders to subsidiaries			
Cash received from borrowings		2,617,862.53	70,048,000.00
Cash received relating to other financing activities			
Sub-total of cash inflows from financing activities		2,617,862.53	70,048,000.00
Cash paid for repayment of debts			
Cash paid for distribution of dividends, profits or interest payment			5,017,160.59
Of which: Payments for distribution of dividends or profits to minority Shareholders by subsidiaries			
Cash paid relating to other financing activities		-38,500,000.00	5,782,000.00
Sub-total of cash outflows from financing activities		-38,500,000.00	10,799,160.59
Net cash flows from financing activities		41,117,862.53	59,248,839.41
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		-7,397.88	2,575,106.72
V. Net increase in cash and cash equivalents			
		-567,255,170.27	-258,459,857.98
Add: Cash and cash equivalents at beginning of the period		732,404,368.33	699,939,631.15
VI. Cash and cash equivalents at end of the period			
		165,149,198.06	441,479,773.17

Note: The "net increase in cash and cash equivalents" as stated in these financial statements for the six months ended 30 June 2020 amounted to RMB-258,459.9 thousand, as compared with the "net decrease in cash and cash equivalents" of RMB-261,035.0 thousand as stated in the statement of cash flows for the corresponding period of previous year. The difference of RMB2,575.1 thousand was attributable to the effect of foreign exchange rate changes on cash and cash equivalents which was included in the "net increase in cash and cash equivalents" for the Reporting Period, while effect of foreign exchange rate changes was not included in the "net decrease in cash and cash equivalents" for the corresponding period of previous year.

Legal representative:
Liu Changchun

Person in charge of accounting function:
Xu Chungang

Person in charge of accounting department:
Tan Hongyan

COMBINED STATEMENT OF CHANGES IN EQUITY

Reporting entity: Jilin Province Chungheng Heating Company Limited

Unit: RMB

Item Column	January to June 2021													Minority interests 14	Total owners' equity 15
	Owners' equity attributable to the parent company														
	Paid-in capital (or Share capital) 1	Preference Shares 2	Perpetual bonds 3	Others 4	Capital reserve 5	Less: Treasury stock 6	Other comprehensive income 7	Special reserves 8	Surplus reserve 9	General risk reserve 10	Undistributed profits 11	Sub-total 13			
I. Closing balance of previous period (audited)	466,700,000.00				86,540,116.46		-618,857.10	8,145,911.11	31,277,344.38		286,101,378.10	878,145,892.95		878,145,892.95	
Add: Change in accounting policy															
Correction of accounting errors in previous period															
Others															
II. Opening balance of current period (audited)	466,700,000.00				86,540,116.46		-618,857.10	8,145,911.11	31,277,344.38		286,101,378.10	878,145,892.95		878,145,892.95	
III. Changes during the period (presented by "+" for decrease)								2,253,403.10			69,381,514.44	71,634,917.54		71,634,917.54	
(I) Total comprehensive income											117,451,614.44	117,451,614.44		117,451,614.44	
(II) Owners' contribution and capital reduction															
1. Capital contribution by owners															
2. Capital contribution by other equity instrument holders															
3. Share payment included in owners' equity															
4. Others															
(III) Appropriation and utilization of special reserves								2,253,403.10			2,253,403.10		2,253,403.10		
(IV) Profit appropriation											-48,070,100.00	-48,070,100.00		-48,070,100.00	
1. Appropriation of surplus reserve															
2. Distribution to owners (or Shareholders)											-48,070,100.00	-48,070,100.00		-48,070,100.00	
3. Others															
(V) Internal transfer of owners' equity															
1. Capital reserve transferred to capital (or share capital)															
2. Surplus reserve transferred to capital (or share capital)															
3. Surplus reserve make up for losses															
4. Changes of defined benefits plan transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Others															
IV. Closing balance of current period (unaudited)	466,700,000.00				86,540,116.46		-618,857.10	10,399,314.21	31,277,344.38		355,482,892.54	949,780,810.49		949,780,810.49	

Legal representative:
Liu ChangchunPerson in charge of accounting function:
Xu ChungangPerson in charge of accounting department:
Tan Hongyan

COMBINED STATEMENT OF CHANGES IN EQUITY

Reporting entity: Jilin Province Chungheng Heating Company Limited

Unit: RMB

Item Column	January to June 2020													Minority interests 29	Total owners' equity 30
	Owners' equity attributable to the parent company														
	Paid-in capital (or Share capital) 16	Preference Shares 17	Other equity instruments Perpetual bonds 18	Others 19	Capital reserve 20	Less: Treasury stock 21	Other comprehensive income 22	Special reserves 23	Surplus reserve 24	General risk reserve 25	Undistributed profits 26	Sub-total 28			
I. Closing balance of previous period (audited)	466,700,000.00				135,199,471.27		1,903,246.11	5,147,376.47	20,101,026.90		211,399,956.62	840,451,077.37		840,451,077.37	
Add: Change in accounting policy															
Correction of accounting errors in previous period															
Others															
II. Opening balance of current period (audited)	466,700,000.00				135,199,471.27		1,903,246.11	5,147,376.47	20,101,026.90		211,399,956.62	840,451,077.37		840,451,077.37	
III. Changes during the period (presented by "+" for increase)							6,241,272.18			3,994,970.81	10,236,242.99		10,236,242.99		
(I) Total comprehensive income										89,575,243.99	89,575,243.99		89,575,243.99		
(II) Owners' contribution and capital reduction															
1. Capital contribution by owners															
2. Capital contribution by other equity instrument holders															
3. Share payment included in owners' equity															
4. Others															
(III) Appropriation and utilization of special reserves							6,241,272.18			-6,241,273.18			-1.00		
(IV) Profit appropriation										-79,339,000.00	-79,339,000.00		-79,339,000.00		
1. Appropriation of surplus reserve															
2. Distribution to owners (or Shareholders)										-79,339,000.00	-79,339,000.00		-79,339,000.00		
3. Others															
(V) Internal transfer of owners' equity															
1. Capital reserve transferred to capital (or share capital)															
2. Surplus reserve transferred to capital (or share capital)															
3. Surplus reserve make up for losses															
4. Changes of defined benefits plan transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Others															
IV. Closing balance of current period (unaudited)	466,700,000.00				135,199,471.27		1,903,246.11	11,388,648.65	20,101,026.90	215,394,927.43	850,687,320.36		850,687,320.36		

Legal representative:
Liu ChangchunPerson in charge of accounting function:
Xu ChungangPerson in charge of accounting department:
Tan Hongyan

NOTES TO FINANCIAL STATEMENTS

I. GENERAL INFORMATION OF THE COMPANY

(I) Company Overview

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 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.

(II) Scope of Combined Financial Statements

As at 30 June 2021, subsidiaries that were consolidated into the combined financial statements of the Company are as follows:

Name of subsidiary

Changchun City Runfeng Construction Installation Engineering Company Limited* (長春市潤鋒建築安裝工程有限責任公司)
Jilin Province Changre Maintenance Service Company Limited* (吉林省長熱維修實業有限公司)
Jilin Province Changre Pipelines Transmission Company Limited* (吉林省長熱管網輸送有限公司)
Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司)
Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱電氣儀錶有限公司)
Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司)
Jilin Province Hengxin Electricity Co. Ltd.* (吉林省恒信售電有限公司)
Jilin Province Hengda New Energy Technology Development Company Limited* (吉林省恒達新能源科技發展有限公司)
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)
Jilin Chuncheng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司)
Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司)

NOTES TO FINANCIAL STATEMENTS

I. GENERAL INFORMATION OF THE COMPANY (CONTINUED)

(II) Scope of Combined Financial Statements (continued)

The number of entities that were consolidated into the scope of the combined financial statements has increased by 1 and decreased by 0 during the period as compared with the previous period, of which:

1. Subsidiaries newly consolidated into the scope of combination during the period

Name	Reason for change
Jilin Chuncheng Clean Energy Company Limited* (吉林省春城清潔能源有限責任公司)	Established through investment

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(I) Basis of Preparation

The financial statements of the Company were prepared on the basis of going concern, based on transactions and matters that actually occurred, and in accordance with the Accounting Standards for Enterprises – Basic Standards published by the Ministry of Finance and specific accounting standards, guidance on application of accounting standards for enterprises, interpretations to accounting standards for enterprises and other relevant requirements (collectively, the “ASBEs”), and the disclosure requirements of the “Regulations on Information Disclosure and Compilation of Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting” issued by the China Securities Regulatory Commission, the Rules Governing the Listing of Securities issued by the Hong Kong Stock Exchange and the Companies Ordinance.

(II) Going Concern

Pursuant to the Company's assessment on the continuing operation ability of the Company within 12 months since the end of the Reporting Period, no matters or events that may raise any material doubts on the continuing operation ability of the Company was discovered, and thus these financial statements were prepared under going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Notes to Specific Accounting Policies and Accounting Estimates

The Company have formulated certain specific accounting policies and accounting estimates in accordance with its production and operation characteristics, which were mainly represented by the valuation method for inventories, the method of provision for expected credit loss on trade receivables, the depreciation of fixed assets and amortization of intangible assets and the timing of revenue recognition.

(II) Statement of Compliance with the ASBEs

The financial statements have been prepared by the Company in conformity with the ASBEs; and have truthfully and completely reflected information such as financial position, operation results, and cash flow, etc. of the Company during the Reporting Period.

NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(III) Accounting Period

The accounting year is from 1 January to 31 December in Gregorian calendar year.

(IV) Reporting Currency

The reporting currency of the Company is Renminbi (RMB).

(V) Basis of Accounting and Valuation Principles

The Company uses the accrual basis of accounting. The Company generally uses historical cost for the measurement of accounting elements; for cases where other attributes such as replacement cost, net realizable value, present value or fair value were used for measurement in accordance with the standards, the Company will make special note on such circumstances.

(VI) Trade Receivables

The Company separately determines the credit loss for single trade receivable with significant amount and has suffered credit impairment upon initial recognition.

If it is impossible to assess the sufficient evidence of expected credit loss at a reasonable cost at the level of single instrument, the Company makes reference to historical credit loss experience, combines with prevailing condition and the judgment on future economic condition, classifies the trade receivables into several portfolios based on the characteristics of credit risk, and calculates the expected credit losses on a collective basis. The basis for determining the portfolio is as follows:

Portfolio name	Basis for determining the portfolio	Provision method
Ageing analysis portfolio	Trade receivables other than "related party portfolio"	The Company makes reference to historical credit loss experience, combines with prevailing condition and expectation on future economic condition, by using default risk exposure and a lifetime credit loss rate to measure the expected credit loss.
Related party portfolio	Trade receivables from Shareholders and related parties	Makes reference to historical credit loss experience, combines with prevailing condition and expectation on future economic condition to measure the expected credit loss

NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Income

The main revenue streams of the Company are from the following businesses: heat supply and transmission service, construction and maintenance.

1. *General principles of revenue recognition*

The Company has fulfilled the performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services, the revenue is recognized at the transaction price allocated to the performance obligation.

The performance obligation refers to the commitment of the Company to transfer the goods or services that can be clearly distinguished to the customer in the contract.

Obtaining control of related commodities means being able to lead the use of the commodities and obtain substantially all economic benefits from them.

The Company evaluates the contract on the contract start date, identifies the individual performance obligations contained in the contract, and determines whether the individual performance obligations are performed within a certain period of time or at a certain point in time. If one of the following conditions is met, it is a performance obligation performed within a certain period of time. The Company recognizes revenue within a period of time according to the progress of the performance: (1) The customer obtains and consumes the Company's performance office while the Company is performing the contract Economic benefits brought; (2) The customer can control the goods under construction of the Company during the performance of the contract; (3) The goods produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to Receiving money for the accumulated performance part that has been completed so far. Otherwise, the Company recognizes revenue when the customer obtains control of the relevant goods or services.

For the performance obligations performed within a certain period of time, the Company uses the input method to determine the appropriate performance progress based on the nature of the goods and services. The output method is to determine the performance progress based on the value of the commodities that have been transferred to the customer (the input method is to determine the performance progress based on the Company's investment to fulfil the performance obligation). When the performance progress cannot be reasonably determined, if the Company's already incurred costs are expected to be compensated, revenue is recognized according to the amount of costs incurred until the performance progress is reasonably determined.

NOTES TO FINANCIAL STATEMENTS

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(VII) Income (continued)

2. Specific method for revenue recognition

(1) Provision of heat service

When the Company satisfies its performance obligations for heat supply services, if the customer simultaneously receives and consumes the resources provided by the Company, it is a performance obligation satisfied within a certain period of time. Revenue from heat supply services is recognized on the basis of the actual heating area and the heating price approved by relevant government departments, and is recognized in monthly instalments over the heating period in proportion to the number of heating days as a percentage of the total number of heating days.

(2) Pipeline connection fee

The pipeline connection fee is a one-off fee charged by the Company to the customers for the connection of the primary pipeline network for residential customers and is non-refundable. The Company enters into a contract with a customer and agrees to a heating service period, and income from the pipeline connection fee is recognized on a straight-line basis over the customer's beneficial period. The Company has determined the beneficial period to be 16 years.

(3) Heat transmission service

Revenue from the provision of heat transmission service, which utilizes the heat transmission network of the Company to provide heat transmission service to other heat supply units, is recognized at the point in time when control of heat is transferred to the customer, which is generally when heat is transmitted to the customer.

(4) Engineering construction and maintenance services

When the Company satisfies its performance obligation for engineering construction and maintenance services, if the customer is able to control the Company's asset created or enhanced in the performance process, it is a performance obligation satisfied within a certain period of time, and the Company recognizes the revenue based on the progress of performance, which is determined by the proportion of the actual costs incurred to the estimated total cost of achieving the construction services.

(5) Design services

The design services provided by the Company include design, consultancy and feasibility studies for heating projects is a performance obligation satisfied within a certain period of time due to the results produced in the course of the Company's performance are of irreplaceable use and the Company is entitled to receive payment for the cumulative portion of performance completed to date throughout the contract period, and the Company recognizes the revenue based on the progress of performance, which is determined by the proportion of the actual costs incurred to the estimated total cost.

(6) Sale of goods

Revenue from the sale of industrial goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

NOTES TO FINANCIAL STATEMENTS

IV. DESCRIPTION ON ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND CORRECTION OF SIGNIFICANT ERRORS IN PREVIOUS PERIOD

(I) Changes in Accounting Policies

There were no changes in accounting policies during the Reporting Period.

(II) Changes in Accounting Estimates

There were no changes in accounting estimates during the Reporting Period.

(III) Correction of Significant Errors in Previous Period

No correction of accounting errors in previous period was made by using the retrospective restatement method during the Reporting Period.

V. TAXATION

(I) Main Types of Taxes and Corresponding Rates

Tax type	Basis of taxation	Tax rate	Remark
Value-added tax ("VAT")	Domestic sales, provision of processing, repair and replacement services; provision of goods; provision of tangible personal property leasing services	13%	
	Provision of construction, real property leasing services; sale of real estate; transfer of land use rights	9%	
	Other taxable sales of services	6%	
City maintenance and construction tax	Simple taxation method	5% or 3%	
Education surcharge	Amount of turnover tax paid	7%	
Local education surcharge	Amount of turnover tax payable	3%	
Enterprise income tax	Amount of turnover tax payable	2%	
Property tax	Amount of turnover tax payable	25%, 15%	
	Based on 70% of the original value of property (or rental income)	1.2%	

NOTES TO FINANCIAL STATEMENTS

V. TAXATION (CONTINUED)

(II) Preferential Tax

1. VAT

- (1) Pursuant to the “Announcement on Policies Relating to the Deepening of VAT Reform (Ministry of Finance, State Administration of Taxation, General Administration of Customs Announcement No. 39 of 2019) (《關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告2019年第39號)), from 1 April 2019 to 31 December 2021, a taxpayer in the production or life service industry is allowed to credit the amount of input tax deductible in the current period plus 10% thereof against the amount of taxes payable, and based on the “Notice of the National Bureau of Statistics on the Issuance of the Statistical Classification of Production Service Industry (2019)” (Guo Tong Zi [2019] No. 43) (《國家統計局關於印發(生產性服務業統計分類(2019))的通知》(國統字[2019]43號)), Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司) belongs to the production service industry.

2. Income tax

- (1) Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司) is subject to a corporate income tax rate of 15% according to Rule II of Article XXVIII of the “Enterprise Income Tax Law” (《企業所得稅法》), Article XCIII of the “Regulation on the Implementation of the Enterprise Income Tax Law”, the “Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Issuing the Administrative Measures for Determination of High and New Tech Enterprises” (Guo Ke Fa Huo [2016] No. 32) (《科技部財政部國家稅務總局關於修訂印發<高新技術企業認定管理辦法>的通知》(國科發火[2016]32號)), the “Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Printing and Issuing of the Guidelines for the Administration of the Recognition of Hi-tech Enterprises” (Guo Ke Fa Huo [2016] No. 195) (《科技部財政部國家稅務總局關於修訂印發<高新技術企業認定管理工作指引>的通知》(國科發火[2016]195號)), and the “Announcement of the State Administration of Taxation on Issues Relating to the Implementation of Preferential Income Tax Policies for High and New Tech Enterprises” (Announcement of the State Administration of Taxation No. 24 of 2017) (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》(國家稅務總局公告2017年第24號)), which stated that High and New Tech Enterprises are subject to corporate income tax at a tax rate of 15%. Since Yatai Heating has obtained a “High and New Tech Enterprise Certificate” (《高新技術企業證書》) No. GR201922000414 in September 2019, which is valid for three years. Yatai Heating adopted the preferential corporate income tax rate of 15% for the year 2019 to 2021 for the calculation and payment of corporate income tax.

NOTES TO FINANCIAL STATEMENTS

V. TAXATION (CONTINUED)

(II) Preferential Tax (continued)

2. Income tax (continued)

- (2) Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司) is subject to a corporate income tax rate of 15% according to Rule II of Article XXVIII of the “Enterprise Income Tax Law” (《企業所得稅法》), Article XCIII of the “Regulation on the Implementation of the Enterprise Income Tax Law”, the “Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Issuing the Administrative Measures for Determination of High and New Tech Enterprises” (Guo Ke Fa Huo [2016] No. 32) (《科技部財政部國家稅務總局關於修訂印發<高新技術企業認定管理辦法>的通知》(國科發火[2016]32號)), the “Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Printing and Issuing of the Guidelines for the Administration of the Recognition of Hi-tech Enterprises” (Guo Ke Fa Huo [2016] No. 195) (《科技部財政部國家稅務總局關於修訂印發<高新技術企業認定管理工作指引>的通知》(國科發火[2016]195號)), and the “Announcement of the State Administration of Taxation on Issues Relating to the Implementation of Preferential Income Tax Policies for High and New Tech Enterprises” (Announcement of the State Administration of Taxation No. 24 of 2017) (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》(國家稅務總局公告2017年第24號)), which stated that High and New Tech Enterprises are subject to corporate income tax at a tax rate of 15%. Since Jilin Province Heating Engineering Design and Research Company Limited* (吉林省熱力工程設計研究有限責任公司) has obtained a High and New Tech Enterprise Certificate on 2 September 2019, which is valid for three years, it is eligible for the preferential enterprise income tax policy for High and New Tech Enterprises.
- (3) Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱電氣儀錶有限公司) is subject to a corporate income tax rate of 15% according to Rule II of Article XXVIII of the “Enterprise Income Tax Law” (《企業所得稅法》), Article XCIII of the “Regulation on the Implementation of the Enterprise Income Tax Law”, the “Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Issuing the Administrative Measures for Determination of High and New Tech Enterprises” (Guo Ke Fa Huo [2016] No. 32) (《科技部財政部國家稅務總局關於修訂印發<高新技術企業認定管理辦法>的通知》(國科發火[2016]32號)), the “Circular of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Printing and Issuing of the Guidelines for the Administration of the Recognition of Hi-tech Enterprises” (Guo Ke Fa Huo [2016] No. 195) (《科技部財政部國家稅務總局關於修訂印發<高新技術企業認定管理工作指引>的通知》(國科發火[2016]195號)), and the “Announcement of the State Administration of Taxation on Issues Relating to the Implementation of Preferential Income Tax Policies for High and New Tech Enterprises” (Announcement of the State Administration of Taxation No. 24 of 2017) (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》(國家稅務總局公告2017年第24號)), which stated that High and New Tech Enterprises are subject to corporate income tax at a tax rate of 15%. Since Jilin Province Changre Electrical Apparatus Company Limited* (吉林省長熱電氣儀錶有限公司) has obtained a High and New Tech Enterprise Certificate on 10 September 2020, which is valid for three years, it is eligible for the preferential enterprise income tax policy for High and New Tech Enterprises.

NOTES TO FINANCIAL STATEMENTS

V. TAXATION (CONTINUED)

(III) Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Company does not have any income that is subject to Hong Kong profits tax for the period between January to June 2021.

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS

(The following amounts are denominated in RMB unless otherwise specified)

(I) Trade Receivables

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 amount
	Carrying balance		Provision for bad debts		
	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	20.61	51,150,526.19
Ageing analysis portfolio –					
Engineering business	183,430,394.46	64.07	30,631,294.53	16.70	152,799,099.93
Ageing analysis portfolio –					
Basic heating fee	17,359,521.15	6.06	9,248,015.97	53.27	8,111,505.18
Related party portfolio	21,085,161.80	7.36			21,085,161.80
Total	286,306,362.75		53,160,069.65		233,146,293.10

NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

(I) Trade Receivables (continued)

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

Category	31 December 2020 (Audited)				Carrying amount
	Carrying balance		Provision for bad debts		
	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	

NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

(I) Trade Receivables (continued)

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

(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	

(II) Prepayments

Ageing	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Carrying balance		Carrying balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year (including the first year)	11,000,059.71	66.53	448,153,335.95	99.62
1 to 2 years (including the second year)	3,978,986.69	24.07	1,709,274.87	0.38
2 to 3 years (including the third year)	1,553,425.02	9.40	15,600.00	
Over 3 years				
Total	16,532,471.42	100.00	449,878,210.82	100.00

NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

(III) Other Receivables

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Interest payable		
Dividend payable		
Other receivables	1,502,811.77	1,438,269.57
Total	1,502,811.77	1,438,269.57

1. Disclosure based on ageing

Ageing	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Within 1 year	2,754,204.56	1,053,581.69
1 to 2 years	107,837.06	546,449.12
2 to 3 years		276,083.00
3 to 4 years	206,083.00	175,183.54
4 to 5 years	175,183.54	
Over 5 years	200,000.00	200,000.00
Sub-total	3,443,308.16	2,251,297.35
Less: Provision for bad debts	1,940,496.39	813,027.78
Total	1,502,811.77	1,438,269.57

2. Classification by nature of the receivables

Nature of the amount	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Current account payment	1,581,385.43	282,625.80
Petty money	998,555.59	995,464.24
Service fee	400,506.94	200,000.00
Pledge	59,600.00	59,600.00
Guarantee	189,000.00	128,000.00
Heating fee		
Others	214,260.20	585,607.31
Total	3,443,308.16	2,251,297.35

3. Disclosure based on three stages of financial asset impairment

Item	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Carrying balance	Provision for bad debts	Carrying amount	Carrying balance	Provision for bad debts	Carrying amount
Stage one	3,443,308.16	1,940,496.39	1,502,811.77	2,251,297.35	813,027.78	1,438,269.57
Stage two						
Stage three						
Total	3,443,308.16	1,940,496.39	1,502,811.77	2,251,297.35	813,027.78	1,438,269.57

NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

(III) Other Receivables (continued)

4. Particulars of provision for bad debts of other receivables

Provision for bad debts	Stage one 12-months ECL	30 June 2021 (Unaudited)		Total
		Stage two Lifetime ECL (not credit impaired)	Stage three Lifetime ECL (credit impaired)	
Opening balance	813,027.78			813,027.78
Opening balance during the current period which:				
– transferred to stage two				
– transferred to stage three				
– reversed to stage two				
– reversed to stage one				
Provision in the current period	1,127,468.61			1,127,468.61
Reversal in the current period				
Charge-off in the current period				
Written-off in the current period				
Other changes				
Closing balance	1,940,496.39			1,940,496.39
		31 December 2020 (Audited)		
Provision for bad debts	Stage one 12-months ECL	Stage two Lifetime ECL (not credit impaired)	Stage three Lifetime ECL (credit impaired)	Total
Opening balance	141,057.42			141,057.42
Opening balance during the current period which:				
– transferred to stage two				
– transferred to stage three				
– reversed to stage two				
– reversed to stage one				
Provision in the current period	671,970.36			671,970.36
Reversal in the current period				
Charge-off in the current period				
Written-off in the current period				
Other changes				
Closing balance	813,027.78			813,027.78

NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

(IV) Contract Assets

1. Particulars of contract assets

Item	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Carrying balance	Provision for decline in value	Carrying amount	Carrying balance	Provision for decline in value	Carrying amount
Quality guarantee deposit				19,663,959.02	1,532,817.51	18,131,141.51
Amounts completed but unsettled	125,903,988.62	15,104,242.71	110,799,745.91	230,138,350.91	14,124,866.40	216,013,484.51
Total	125,903,988.62	15,104,242.71	110,799,745.91	249,802,309.93	15,657,683.91	234,144,626.02

2. Particulars of impairment provision for contract assets during the current period

Item	31 December 2020 (Audited)	Provision			30 June 2021 (Unaudited)
		Provision	Reversal	Charge-off or write-off	
Quality guarantee deposit	1,532,817.51				1,532,817.51
Amounts completed but unsettled	14,124,866.40	-553,441.20			13,571,425.20
Total	15,657,683.91	-553,441.20			15,104,242.71

(V) Other Current Assets

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
VAT allowance	20,561,662.23	3,659,949.47
Prepaid income tax, net of eliminations	2,922,254.38	45,729.47
Amortization of staff heating expenses		776,785.10
Total	23,483,916.61	4,482,464.04

NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

(VI) Changes in Investment Properties, Fixed Assets, Intangible Assets and Other Long-term Assets

During the six months ended 30 June 2021, the Company did not dispose investment properties, fixed assets, intangible assets and other long-term assets.

During the six months ended 30 June 2021, the Company spent approximately RMB769.3 thousand (six months ended 30 June 2020: RMB7,400.0 thousand), mainly on construction in progress, machinery and equipment and transportation equipment, and to enhance production capacity.

Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司), a subsidiary of the Company, has accounted for boiler plant, substation plant and office building by their carrying value, with an aggregate carrying value of RMB2,090.8 thousand as at 30 June 2021, with no certificate of title; the land on which the building is located had been expropriated by the government and the nature of the land had been changed to state-owned. As the land on which the building is located cannot be processed for property title, the building cannot obtain a certificate of title.

(VII) Trade Payables

<u>Ageing</u>	<u>30 June 2021</u> <u>(Unaudited)</u>	<u>31 December 2020</u> <u>(Audited)</u>
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

NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

(VIII) Other Payables

Other payables based on nature of the payments

Nature of the amount	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Quality guarantee deposit	15,996.00	15,996.00
Deposit and guarantee	574,797.24	550,297.24
Training fee		660.00
Current account payment	78,563,411.27	17,129,385.57
Rental fee		635,463.83
Insurance	970,855.29	2,059,043.70
Fuel		14,000.00
Utilities	5,936,790.56	11,109,248.19
Tax refund		
Service, construction and transportation fee		
Others	963,313.93	88,851.36
Total	87,025,164.29	31,602,945.89

(IX) Non-current Liabilities Due within One Year

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Long-term salaries payable due within one year		
Lease liabilities due within one year	762,715.29	776,982.33
Total	762,715.29	776,982.33

(X) Other Current Liabilities

Item	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Sales tax to be transferred	279.62	5,322,271.63
Total	279.62	5,322,271.63

NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

(XI) Share Capital

Name of investor	31 December 2020 (Audited)		Increase during the current period	Decrease during the current period	30 June 2021 (Unaudited)	
	Amount of investment	Shareholding percentage (%)			Amount of investment	Shareholding percentage (%)
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	325,500,000.00	69.75			325,500,000.00	69.75
Changchun State-owned Capital Investment Operation (Group) Co., Ltd.* (長春市國有資本投資運營(集團)有限公司)	24,500,000.00	5.25			24,500,000.00	5.25
Overseas public shareholders (H Shares Listing in Hong Kong)	116,700,000.00	25.00			116,700,000.00	25.00
Total	466,700,000.00	100.00			466,700,000.00	100.00

(XII) Assets with Restricted Ownership and Right to Use

As at 30 June 2021, the Company did not have assets with restricted ownership and right to use during the current period.

(XIII) Revenue and Segment Information

1. Basis of determining reportable segments and the accounting policies

The Company 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.

NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

(XIII) Revenue and Segment Information (continued)

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	11,293,628.86	153,035,575.43

NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

(XIII) Revenue and Segment Information (continued)

3. 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

(XIV) Operating Costs

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 the operating costs for both the current period and the previous period. As such, the operating costs for the previous period as disclosed herein 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.

NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

(XV) 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.

(XVI) Income Tax Expenses

1. Table of income tax expenses

Item	January to June 2021 (Unaudited)	January to 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 to June 2021 (Unaudited)	January to 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

NOTES TO FINANCIAL STATEMENTS

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

(XVII) 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

(XVIII) Dividend

1. Interim dividend

The Board does not recommend the payment of any interim dividend 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.

(XIX) 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

Description: 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.

NOTES TO FINANCIAL STATEMENTS

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Related Party Transactions

The transaction prices of the Company's transactions with related parties are mutually agreed prices, which are consistent with those with non-related parties.

1. For the subsidiaries which are controlled by the Company and consolidated into the combined financial statements, the transactions amongst themselves and that between the parent company and them have been eliminated.
2. Continuing related party transactions and related party transactions

(1) Goods and services transactions

Related party	January to June 2021 (Unaudited)	January to June 2020 (Unaudited)
Sale of goods		
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	2,596,849.64	2,894,236.21
Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	9,023,854.85	4,002,324.68
Changchun Light Rail Heat Supply Co., Ltd.* (長春市 輕軌供熱有限公司)	765,105.80	3,413,652.14
Changre Group Jilin Changtie Public Utilities Co., Ltd.* (長熱集團吉林長鐵公用事業有限公司)	884,708.00	916,000.00
Inner Mongolia Chuncheng Heating Service Co., Ltd.* (內蒙古春城熱力服務有限公司)		42,413.86
Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林市公用事業有限公司)	1,703,035.88	
Jilin Province Heating Group Panshi Public Utilities Co., Ltd.* (吉林省熱力集團磐石市公用事業有限公司)	546,731.67	
Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司)		46,000.00
Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司)		6,053,000.00
Procurement of goods		
Jilin Province New Model Pipes Company Limited* (吉林省新型管業有限責任公司)	4,070,654.81	12,681,798.26
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	33,366,271.41	
Datang Changre Jilin Heating Company Limited* (大唐長熱吉林熱力有限公司)	6,311,369.32	
Service fee income		
– Companies under common control		
Service fee expense		
Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	826,834.86	170,966.19

The transactions with companies under common control as set out in (1) above are transactions under the Continuing Connected Transaction – Products and Services Framework Agreement and constitute as continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related Party Transactions (continued)

3. Amounts due from/to related parties

(1) Amounts due from related parties to the Company

Item	Related party	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
		Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Trade receivables					
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團) 有限責任公司)	3,200,311.60		17,217,860.38	
	Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業 有限公司)	2,060,959.00		7,789,153.00	
	Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	9,355,916.33		39,968,027.22	
	Changre Group Jilin Changtie Public Utilities Co., Ltd.* (長熱集團吉林長鐵公用事業 有限公司)			1,000,000.00	
	Jilin Province Heating Group Panshi Public Utilities Co., Ltd.* (吉林省熱力集團磐石市 公用事業有限公司)	1,016,957.43		568,413.03	
	Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林市 公用事業有限公司)	2,408,542.14		2,526,863.74	
Prepayments					
	Jilin Province New Model Pipes Company Limited* (吉林省新型管業有限責任公司)			1,699,080.00	
	Datang Changre Jilin Heating Company Limited* (大唐長熱吉林熱力有限公司)			7,534,110.00	
Other receivables					
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限 責任公司)	10,000.00		94,280.80	
	Inner Mongolia Chuncheng Heating Service Co., Ltd.* (內蒙古春城熱力服務有限公司)	2,176.00		2,176.00	
	Jilin Province Heating Group Jilin Public Utilities Co., Ltd.* (吉林省熱力集團吉林市 公用事業有限公司)	15,000.00			
Contract assets					
	Changchun Heating Group	3,218,428.78			
	Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市 公用事業有限公司)	6,326,359.00			

NOTES TO FINANCIAL STATEMENTS

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related Party Transactions (continued)

3. Amounts due from/to related parties (continued)

(2) Amounts due to related parties from the Company

Item	Related party	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Trade payables			
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)		118,376,300.00
	Jilin Province New Model Pipes Company Limited* (吉林省新型管業有限責任公司)	3,945,695.41	17,922,015.42
	Jilin Province Smart Equipment Company Limited* (吉林省智能裝備有限責任公司)	1,555,867.08	2,155,867.08
Contract liabilities			
	Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)		6,053,477.82
	Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)		599,693.79
	Changre Group Jilin Changtie Public Utilities Co., Ltd.* (長熱集團吉林長鐵公用事業有限公司)		1,327,063.48
Other payables			
	Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司)	30,840,015.57	1,536,770.37
	Jilin Province Heating Group Co. Ltd.* (吉林省熱力集團有限公司)	52,804.41	36,601.00

(II) Related Party Commitments

None.

(III) Related Party Guarantees

None.

VIII. SHARE-BASED PAYMENT

None.

NOTES TO FINANCIAL STATEMENTS

IX. CONTINGENCIES

(I) Contingent Liabilities

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

(II) Contingent Assets

As at 30 June 2021, the Company has no contingent assets that need to be accounted for.

Jilin Province Chuncheng Heating Company Limited
27 August 2021

DEFINITIONS

“2020 Annual Report”	the annual report of the Company for the year ended 31 December 2020
“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 report, Hong Kong, the 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
“Corporate Governance”	the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic ordinary share(s) in the registered capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and held by PRC nationals or PRC incorporated entities, and are not listed or traded on any stock exchange
“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

DEFINITIONS

“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
“Supervisor(s)”	the supervisor(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
“**”	for identification purposes only

CORPORATE INFORMATION

Corporate Information

Name in Chinese:	吉林省春城熱力股份有限公司
Name in English:	Jilin Province Chuncheng Heating Company Limited*
Registered Address:	Block 28, Area B, Nanhu Avenue Community, 998 Nanhu Avenue, Nanguan District, Changchun City, Jilin Province, PRC
Headquarter/Principal Place of Business:	Block 28, Area B, Nanhu Avenue Community, 998 Nanhu Avenue, Nanguan District, Changchun City, Jilin Province, PRC
Place of Business in Hong Kong:	46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Company's Website:	www.cc-tp.com.cn
Email:	ccrl-zqb@ccrljt.com

Information of Shares of the Company

Stock Short Name:	CHUNCHENG HEAT
Stock Code:	1853

Executive Directors

Mr. YANG Zhongshi (*Vice Chairman of the Board*)
Mr. SHI Mingjun
Mr. XU Chungang
Mr. LI Yeji

Non-executive Director

Mr. LIU Changchun (*Chairman of the Board*)

Independent Non-executive Directors

Mr. WANG Yuguo
Mr. FU Yachen
Mr. POON Pok Man

Supervisors

Mr. QIU Jianhua (*Chairman*)
Ms. ZHANG Wei
Ms. LI Xiaoling

Authorized Representatives

Mr. XU Chungang
Mr. WAN Tao

Audit Committee

Mr. POON Pok Man (*Chairman*)
Mr. LIU Changchun
Mr. WANG Yuguo

Remuneration Committee

Mr. FU Yachen (*Chairman*)
Mr. XU Chungang
Mr. POON Pok Man

Nomination Committee

Mr. WANG Yuguo (*Chairman*)
Mr. YANG Zhongshi
Mr. FU Yachen

Strategy Committee

Mr. LIU Changchun (*Chairman*)
Mr. SHI Mingjun
Mr. WANG Yuguo

Joint Company Secretaries

Mr. WAN Tao
Mr. LEE Chung Shing

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

CORPORATE INFORMATION

Auditor

Da Hua Certified Public Accountants
Bldg 7, No.16 Xi Si Huan Zhong Road,
Haidian District, Beijing

Legal Advisers

as to Hong Kong law:

Lau, Horton & Wise LLP
In Association with CMS Hasche Sigle,
Hong Kong LLP
8th Floor, Nexus Building,
41 Connaught Road Central,
Hong Kong

as to PRC law:

Jilin Zhengji Law Firm*
(吉林正基律師事務所)
No.1 Fuzhi Road,
Jingyue Economic Development Zone,
Changchun City, Jilin Province, PRC

Principal Banks

Jilin Jiutai Rural Commercial Bank (Xinjia Branch)
Jilin Jiutai Rural Commercial Bank (Jingyue Branch)
Bank of Jilin Co., Ltd. (Changchun Technology Branch)
Bank of China Co., Ltd. (Nanhu Road Branch)
Bank of China Co., Ltd. (Jiefang Road Branch)
Bank of Communications Co., Ltd. (Chaoyang Branch)
Bank of Jilin Co., Ltd. (Changchun FAW Branch)
Industrial and Commercial Bank of China Limited
(People's Square Branch)