



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 2023



* For identification purpose only

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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 Road Community, 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, PRC
Headquarter/ Principal Place of Business in PRC: Block 28, Area B, Nanhu Road Community, 998 Nanhu Road, Nanguan District, Changchun City, Jilin Province, PRC
Place of Business in Hong Kong: 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Company's Website: www.cc-tp.com.cn
Email: ccrl-zqb@ccrljt.com

INFORMATION OF H SHARE 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. SUN Huiyong (*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. SUN Huiyong
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. SUN Huiyong (*Chairman*)
Mr. SHI Mingjun
Mr. WANG Yuguo



CORPORATE INFORMATION

JOINT COMPANY SECRETARIES

Mr. WAN Tao
Mr. LEE Chung Shing

H SHARE REGISTRAR

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AUDITOR

Da Hua Certified Public Accountants
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LEGAL ADVISERS

as to Hong Kong law: Lau, Horton & Wise LLP
In Association with CMS
Hasche Sigle Hong Kong LLP
8th Floor, Nexxus Building,
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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)
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)



INTERIM FINANCIAL SUMMARY

SUMMARY OF COMBINED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

Item in Combined Income Statement	January to June 2023 RMB0'000 (Unaudited)	January to June 2022 RMB0'000 (Audited)
Operating revenue	89,835.44	88,754.21
Total profit	17,571.12	8,971.41
Income tax expenses	5,078.75	2,595.17
Net profit	12,492.37	6,376.23
Minority interests	—	—

SUMMARY OF COMBINED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2023

Item in Combined Statement of Financial Position	30 June 2023 RMB0'000 (Unaudited)	31 December 2022 RMB0'000 (Audited)
Total non-current assets	108,447.65	114,548.64
Total current assets	110,188.54	189,348.86
Total assets	218,636.19	303,897.50
Total non-current liabilities	11,166.76	11,958.43
Total current liabilities	107,987.21	200,748.92
Total liabilities	119,153.97	212,707.35
Total shareholder's equity	99,482.22	91,190.14



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

I. BUSINESS REVIEW

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

(1) Heat Supply Business

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

1. Customers

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

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

Notes:

- (1) The number of residential users is per household.
- (2) Non-residential users refer to end-users other than residential users, such as industrial end-users, commercial end-users and other end-users.

Group's subsidiaries, produced heat through their own coal-fired boilers and biomass fuels respectively for heat supply.

For the six months ended 30 June 2023, the total heat procurement by the Group from local cogeneration plants and its controlling shareholder, Chun Cheng Investment, amounted to 10.99 million GJ and 1.93 million GJ respectively, with a total heat procurement of 12.92 million GJ, among which 11.53 million GJ of heat was used for the Group's heat supply and production purposes.

2. Heat procurement

In 2023, adhering to the concept of high-quality development, the Group made every effort to safeguard the heating demand of customers within its jurisdiction by actively responding to targets of the dual-carbon emission reduction and the work requirement of clean heating and continued its cogeneration-led heat supply. During the Reporting Period, for the purpose of meeting the demand from the Group's additional heat service area, apart from purchasing cogeneration power from local thermal power plants, the Group also purchased heat from peak-shaving boilers of Chun Cheng Investment, its controlling shareholder, for heating. In addition, Xixing Energy and Chun Cheng Biomass, both the

3. Heat resale

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Notes:

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

(2) Construction, Maintenance and Design Services and Others

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



MANAGEMENT DISCUSSION AND ANALYSIS

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

In the first half of the year, the design services business undertook seven design projects, including the “Jingyue Area Old District Infrastructure Renovation and Environmental Capacity Enhancement Project” (淨月區域老舊小區基礎設施改造與環境能力提升項目) and the “Shida Free Campus Heating Primary Pipeline Network Removal and Renovation Project” (師大自由校區供熱一次管網排遷改造工程). In the first half of the year, Heat Research Company successfully shortlisted in the “Changchun Science and Technology Small and Medium-sized Enterprises Evaluation System” (長春市科技中小型企業評價系統) and became a technical support unit for “2023 Seminar for Operation and Development of Heat Supply Industry in Northeast Provinces” (2023年度東北三省供熱行業經營發展問題研討會). The Company has always insisted on cooperation with

tertiary educational institutions to explore and research cutting-edge technologies in the industry. At present, seven research projects of Heat Research Company are conducted in cooperation with the Jilin Provincial Science and Technology Department (吉林省科技廳) and tertiary educational institutions. One of which was completed in April 2023, four expected to be completed in the second half of the year, and the other two are in progress.

(3) Safety Management

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



MANAGEMENT DISCUSSION AND ANALYSIS

(4) Technology and R&D

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

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

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

During the Reporting Period, the Group obtained a total of 6 utility model patents issued by the China National Intellectual Property Administration and 5 computer software copyright certificates issued by the National Copyright Administration.

(5) Honors and Awards

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

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

II. FINANCIAL POSITION AND OPERATING RESULTS

(1) Revenue

For the six months ended 30 June 2023, the Group's revenue was RMB898,354.4 thousand, compared to

RMB887,542.1 thousand for the corresponding period of 2022, representing an increase of 1.22%, primarily due to the increase in revenue from the heat supply business.

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

(2) Other Income and Other Net Gains

For the six months ended 30 June 2023, the Group's other income and other net gains amounted to RMB19,172.0 thousand, as compared with RMB15,330.9 thousand for the corresponding period of 2022, representing an increase of 25.05%, which was principally attributable to (i) non-operating income of RMB106.7 thousand for the six months ended 30 June 2023 as compared with RMB120.6 thousand for the corresponding period of 2022, representing a decrease of 11.53%. Such decrease was mainly due to the reduction in liquidated damages received for the period from January to June 2023; (ii) other income of RMB9,223.9 thousand for the six months ended 30 June 2023, as compared with RMB5,365.7 thousand for the corresponding period of 2022, representing an increase of 71.90%, which was attributable to an increase in other income as a result of the fact that the Company received more government grants,

such as coal subsidies and special funds for the development of the financial sector, for January to June in 2023 as compared to the corresponding period of 2022; and (iii) interest income from bank deposits of RMB9,841.4 thousand for the six months ended 30 June 2023, as compared with RMB9,844.6 thousand for the corresponding period of 2022, representing a decrease of 0.03%, which was attributable to the decrease in interest income as a result of a decrease in bank deposits of the Company during the period from January to June in 2023.

(3) Operating Costs

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

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



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 costs (primarily includes

wages, salaries and benefits for the Group's employees involved in the provision and distribution of heat) and utility costs.

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

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

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

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

For the six months ended 30 June 2023, the Group's maintenance and repair costs amounted to RMB11,650.8 thousand, as compared to RMB6,236.8 thousand for the corresponding period of 2022, representing an increase of 86.81%, mainly due to

the fact that there were more cases of pipeline damage and accordingly more pipeline repairs and replacements in the current period.

Costs for construction, maintenance and design services

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



MANAGEMENT DISCUSSION AND ANALYSIS

(4) Gross Profit and Gross Profit Margin

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

(5) Administrative Expenses

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

(6) Finance Costs

For the six months ended 30 June 2023, the Group's finance costs amounted to RMB5,271.1 thousand, as compared with RMB1,205.4 thousand for the corresponding period of 2022, representing an increase of 337.29%, which was principally due to the increase of the Group's total amount of loan compared with the same period last year.

(7) Income Tax Expense

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

(8) Profit for the Period

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

(9) Profit Attributable to Owners of the Company

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

(10) Liquidity and Capital Resources

As at 30 June 2023, the Group had cash and cash equivalents of RMB699,605.0 thousand, representing a decrease of 32.09% as compared with the balance of RMB1,030,236.1 thousand as at 31 December 2022, which was mainly due to (i) net cash outflow from operating activities of RMB381,497.1 thousand primarily as a result of the payment of RMB236,614.2 thousand in cash by the Company for goods and services as well as labour; and (ii) net cash inflow from financing activities of RMB54,349.6 thousand primarily as a result of the additional borrowings of RMB70,280.0 thousand during the current period.



MANAGEMENT DISCUSSION AND ANALYSIS

(11) Capital Expenditure

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

(12) Capital Structure

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

Gearing ratio is the percentage of total interest-bearing liabilities (including interest-bearing bank and other borrowings and lease liabilities) (net of cash and cash equivalents) to total equity at the end of each financial period. As at 30 June 2023, the Group's gearing ratio was -39.74% as compared to -87.32% as at 31 December 2022. The change in the gearing ratio was mainly due to the increase in interest-bearing bank borrowings and decrease in cash and cash equivalents. As at 30 June 2023, the Group's cash and cash equivalents exceeded the Group's total interest-bearing liabilities.

(13) Material Acquisitions and Disposals

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

(14) Charge on Assets

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

(15) Contingencies

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

III. RISK FACTORS AND RISK MANAGEMENT

(1) Industry Risk

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

(2) Policy Risk

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

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

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

(3) Climate Risk

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

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

(4) Exchange Risk

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

(5) Taxation risk

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

IV. PROSPECT FOR THE SECOND HALF OF 2023

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

- (i) To continue to invest in the research and development and application of intelligent heat supply and plan to carry out digital intelligence integration projects for heat supply; seeking to strengthen the intelligent and precise regulation and control over the entire linkage of heat sources, heat networks, heating stations, heating pipes and households in the heat supply system for effective energy saving and emission reduction through making full use of the AI intelligent heat supply algorithm technology; to lay a solid foundation for digital transformation through the assetisation of data so as to practically improve the efficiency in the utilisation of energy and to enhance the heat supply operating efficiency;
- (ii) To further strengthen the development of heating pipeline network as well as construction and renovation projects of heat supply pipeline network and heat supply facilities, while alleviating the problem of insufficient heat in some areas by optimising the distribution of heat through main heating pipelines;
- (iii) To continue to enhance the overhauling and maintenance of heating equipment, improve energy efficiency management of production of heat and the quality of services for heat supply customers, so as to get well prepared for the 2023–2024 heating period;
- (iv) To keep enhancing the development of businesses such as engineering design, construction and maintenance.

V. EVENTS AFTER THE REPORTING PERIOD

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



CORPORATE GOVERNANCE REPORT

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, supervisory committee and senior management with reference to the code provisions as set out in the Corporate Governance Code contained in Part 2 of 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 of the Company 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 of the Company. The Company has applied the principles set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules.

Save as disclosed below, 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.

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

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.



CORPORATE GOVERNANCE REPORT

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 2023 was convened by the Company on 31 March 2023 to mainly consider the implementation of the proposals on the profit distribution for 2022 and the connected transactions for 2022, and the performance of the independent Directors for 2022.

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. Between 1 January 2023 to 5 March 2023, 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). Following the resignation of Mr. Liu Changchun as a Director on 6 March 2023, he ceased to be a member of the audit committee. Following the appointment of Mr. Sun Huiyong as a non-executive Director, Mr. Sun Huiyong became a member of the audit committee with effect from 29 March 2023. As such, during the period between 6 March 2023 and 28 March 2023, the composition of the audit committee failed to meet the requirement stipulated under Rule 3.21 of the Listing Rules and the terms of reference of the audit committee that it shall comprise a minimum of three members. Since 29 March 2023, the audit committee comprised three Directors, namely Mr. Poon Pok Man (independent non-executive Director), Mr. Sun Huiyong (non-executive Director) and Mr. Wang Yuguo (independent non-executive Director). Mr. Poon Pok Man is the chairman of the audit committee.

For the six months ended 30 June 2023, the audit committee held 2 meetings. The first meeting of the audit committee for 2023 was convened on 31 March 2023 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 2022 and the approval of future internal audit plans, fee budgets, and other related matters;
- (3) Resolution on the report of financial final accounts of the Company for 2022;
- (4) Resolution on the financial budget report of the Company for 2023;
- (5) Resolution on the finalization of 2022 audited consolidated financial statements (near final version);
- (6) Resolution on the 2022 annual results announcement (near final version);
- (7) Resolution on the 2022 annual report (near final version);
- (8) Resolution on the proposals on the profit distribution for 2022;
- (9) Resolution on confirming the implementation of the connected transactions and the regulations governing the connected transactions for 2022;
- (10) Resolution on the re-appointment of Da Hua Certified Public Accountants as the external auditor.

The second meeting of the audit committee for 2023 was convened on 27 April 2023 by the Company, at which resolution on confirmation of the audit report, financial statements, the internal control assurance report and other specialized reports of the Company for 2020-2022 were considered and passed.



CORPORATE GOVERNANCE REPORT

On 28 August 2023, the audit committee of the Company has reviewed and confirmed the interim results announcement for the six months ended 30 June 2023, the interim report for 2023, and the unaudited interim financial statements for the six months ended 30 June 2023 of the Company prepared in accordance with the provisions of the Accounting Standards for Enterprises (the “ASBEs”) of the PRC No. 32 “Interim Financial Statements”.

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 (independent non-executive Director), Mr. Xu Chungang (executive Director) and Mr. Poon Pok Man (independent non-executive Director). Mr. Fu Yachen is the chairman of the remuneration committee.

During the six months ended 30 June 2023, the remuneration committee held 2 meetings. The first meeting of the Remuneration Committee for 2023 was held on 8 March 2023, at which resolutions in relation to the proposed remuneration policy for the nominated director and the proposed signing of director’s service contract were passed. On 31 March 2023, the Company convened the second meeting of the Remuneration Committee for 2023, at which resolutions in relation to the remuneration status, remuneration policy and structure of the Directors, Supervisors and senior management were considered.

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 (independent non-executive Director), Mr. Yang Zhongshi (executive Director) and Mr. Fu Yachen (independent non-executive Director). Mr. Wang Yuguo is the chairman of the nomination committee.

During the six months ended 30 June 2023, the nomination committee held 2 meetings. The Company held the first meeting of the Nomination Committee for 2023 on 8 March 2023, at which resolutions in relation to the nomination of director candidates were considered and passed.

The second meeting of the nomination committee for 2023 was convened on 31 March 2023 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.



CORPORATE GOVERNANCE REPORT

STRATEGY COMMITTEE

The Company has established a strategy 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. Between 1 January 2023 to 5 March 2023, the strategy committee comprised three Directors, namely Mr. Liu Changchun (non-executive Director), Mr. Wang Yuguo (independent non-executive Director) and Mr. Shi Mingjun (executive Director). Following the resignation of Mr. Liu Changchun as a Director on 6 March 2023, he ceased to be the chairman of the strategy committee. Following the appointment of Mr. Sun Huiyong as a non-executive Director, Mr. Sun Huiyong became the chairman of the strategy committee with effect from 29 March 2023. As such, during the period between 6 March 2023 and 28 March 2023, the composition of the strategy committee failed to meet the requirement stipulated under the terms of reference of the strategy committee that it shall comprise a minimum of three members. Since 29 March 2023, the strategy committee comprised three Directors, namely Mr. Sun Huiyong (non-executive Director), Mr. Wang Yuguo (independent non-executive Director) and Mr. Shi Mingjun (executive Director). Mr. Sun Huiyong is the chairman of the strategy committee.

The first meeting of the strategy committee for 2023 was convened on 31 March 2023 by the Company, at which a resolution in relation to the 2022 environmental, social and governance report (near final version) was passed.



OTHER INFORMATION

SHARE CAPITAL

As at 30 June 2023, 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 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE COMPANY

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

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

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

ISSUE OF BONDS

For the six months ended 30 June 2023, 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 2023, none of the Directors, Supervisors 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 recorded 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 2023, to the knowledge of the Directors, the persons (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 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 2)	Percentage of relevant class of share capital (%) (Note 3)	Percentage of total share capital (%) (Note 4)
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	Domestic Shares	Beneficial owner	325,500,000(L)	93.00	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)	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)	26.14	6.54
Northeast Asia Crowdwith Investment Management (Jilin) Co., Ltd. (東北亞萬眾創投資管理(吉林)有限公司)	H Shares	Beneficial owner	17,090,000(L)	14.64	3.66

Notes:

1. 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.
2. (L) denotes the relevant person's long position in such Shares.
3. Based on 350,000,000 Domestic Shares or 116,700,000 H Shares of the Company in issue as at 30 June 2023.
4. Based on the total issued share capital of the Company of 466,700,000 Shares as at 30 June 2023.



OTHER INFORMATION

CHANGE IN INFORMATION OF DIRECTORS AND SUPERVISORS

As at 30 June 2023, there is no change in information of Directors and Supervisors of the Company.

STAFF AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 1,566 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 2023, 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

(presented in RMB unless otherwise stated)

Item	Note VI	30 June 2023 (Unaudited)	31 December 2022 (Audited)
CURRENT ASSETS:			
Monetary fund		706,205,031.43	1,034,436,102.05
Financial assets measured at fair value through profit or loss		—	—
Held-for-trading financial assets		—	—
Derivative financial assets		—	—
Bills receivable		—	—
Trade receivables	(I)	163,403,239.36	139,825,918.08
Trade receivables financing		—	—
Prepayments	(II)	101,433,145.62	587,425,208.07
Other receivables	(III)	9,097,573.67	17,686,677.50
Inventories		9,901,868.05	7,487,869.38
Contract assets	(IV)	75,691,515.76	89,363,130.11
Assets held for sale		—	—
Non-current assets due within one year		—	—
Other current assets	(V)	36,153,009.78	17,263,647.13
TOTAL CURRENT ASSETS		1,101,885,383.67	1,893,488,552.32
NON-CURRENT ASSETS:			
Available-for-sale financial assets		—	—
Investments held-to-maturity		—	—
Debt investments		—	—
Other debt investments		—	—
Long-term receivables		—	—
Long-term equity investments		—	—
Other equity instrument investments		—	—
Other non-current financial assets		—	—
Investment properties		10,020.32	26,982.27
Fixed assets		919,198,087.03	984,808,829.76
Construction-in-progress		16,764,048.50	16,637,053.27
Biological assets		—	—
Fuel and gas assets		—	—
Right-of-use assets		237,609.27	708,603.37
Intangible assets		14,156,903.07	14,687,456.32
Development costs		—	—
Goodwill		74,847,680.43	74,847,680.43
Long-term deferred expenditures		244,804.85	508,668.09
Deferred income tax assets		59,017,348.36	53,261,130.98
Other non-current assets		—	—
TOTAL NON-CURRENT ASSETS		1,084,476,501.83	1,145,486,404.49
TOTAL ASSETS		2,186,361,885.50	3,038,974,956.81



COMBINED STATEMENT OF FINANCIAL POSITION

Item	Note VI	30 June 2023 (Unaudited)	31 December 2022 (Audited)
CURRENT LIABILITIES:			
Short-term borrowings		304,280,000.00	234,000,000.00
Financial liabilities measured at fair value through profit or loss		—	—
Held-for-trading financial liabilities		—	—
Derivative financial liabilities		—	—
Bills payable		—	—
Trade payables	(VII)	129,521,325.25	199,672,999.06
Advances		—	—
Contract liabilities		545,004,852.82	1,410,922,916.32
Salaries payable		39,705,288.28	103,693,668.18
Tax payable		15,613,613.45	37,339,588.27
Other payables	(VIII)	44,662,619.11	21,365,983.70
Liabilities held for sale		—	—
Non-current liabilities due within one year	(IX)	476,190.47	476,190.47
Other current liabilities	(X)	608,228.97	17,836.40
TOTAL CURRENT LIABILITIES		1,079,872,118.35	2,007,489,182.40
NON-CURRENT LIABILITIES:			
Long-term borrowings		—	—
Bonds payable		—	—
Of which: Preference shares		—	—
Perpetual bonds		—	—
Lease liabilities		—	—
Long-term payables		2,775,074.00	2,775,074.00
Long-term salaries payable		29,559,928.24	29,559,928.24
Estimated liabilities		—	—
Deferred income		41,981,151.58	44,188,783.40
Deferred income tax liabilities		37,351,438.08	41,263,242.91
Other non-current liabilities		—	1,797,307.74
TOTAL NON-CURRENT LIABILITIES		111,667,591.90	119,584,336.29
TOTAL LIABILITIES		1,191,539,710.25	2,127,073,518.69



COMBINED STATEMENT OF FINANCIAL POSITION

Item	Note VI	30 June 2023 (Unaudited)	31 December 2022 (Audited)
SHAREHOLDERS' EQUITY:			
Share capital	(XI)	466,700,000.00	466,700,000.00
Other equity instruments		—	—
Of which: Preference shares		—	—
Perpetual bonds		—	—
Capital reserve		—	—
Less: Treasury stock		—	—
Other comprehensive income		-1,786,642.82	-1,786,642.82
Special reserve		25,643,923.18	25,643,923.18
Surplus reserve		29,831,863.56	29,831,863.56
Undistributed profits		474,433,031.33	391,512,294.20
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Total shareholders' equity attributable to the parent company		994,822,175.25	911,901,438.12
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Minority interests		—	—
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TOTAL SHAREHOLDERS' EQUITY		994,822,175.25	911,901,438.12
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,186,361,885.50	3,038,974,956.81



COMBINED INCOME STATEMENT

(presented in RMB unless otherwise stated)

Item	Note VI	30 June 2023 (Unaudited)	30 June 2022 (Audited)
I. TOTAL OPERATING INCOME	(XIII)	898,354,369.86	887,542,062.06
Less: Operating costs	(XIV)	672,736,557.40	760,186,646.73
Taxes and surcharges		739,177.86	684,573.42
Selling expenses		369,156.07	649,498.13
Administrative expenses	(XV)	42,474,968.32	40,929,674.76
Research and development expenses		758,975.06	671,066.11
Financial costs		-9,911,247.71	-10,653,424.94
Of which: Interest charges		5,271,142.44	1,205,416.52
Interest income		-9,841,436.25	-9,844,630.37
Add: Other income		9,223,898.86	5,365,748.92
Investment income		—	—
Of which: Investment income from associates and joint ventures		—	—
Gain on derecognition of financial assets measured at amortized cost		—	—
Net gain from hedging exposure		—	—
Gain on changes in fair value		—	—
Credit impairment loss		-19,246,248.97	7,034,652.43
Impairment loss on assets		-5,447,266.77	-17,876,365.63
Gain on disposal of assets		—	13,021.19
II. OPERATING PROFIT		175,717,165.98	89,611,084.76
Add: Non-operating income		106,713.81	120,589.37
Less: Non-operating expenses		112,691.12	17,593.41
III. TOTAL PROFIT		175,711,188.67	89,714,080.72
Less: Income tax expense	(XVI)	50,787,451.54	25,951,732.47
IV. NET PROFIT		124,923,737.13	63,762,348.25
Of which: Net profit realized by the acquiree of the business combination under common control before the combination			
(I) Classified by continuity of operation			
Net profit from continuing operation		124,923,737.13	63,762,348.25
Net profit from discontinued operation		—	—
(II) Classified by ownership			
Net profit attributable to owners of the parent company		124,923,737.13	63,762,348.25
Minority interests		—	—



COMBINED INCOME STATEMENT

Item	Note VI	30 June 2023 (Unaudited)	30 June 2022 (Audited)
V. OTHER COMPREHENSIVE INCOME, NET OF TAX		—	—
Other comprehensive income attributable to owners of the parent company, net of tax		—	—
(I) Other comprehensive income that may not be reclassified to profit or loss		—	—
1. Changes from re-measurement of defined benefit plans, net		—	—
2. Other comprehensive income that may not be transferred to profit or loss under the equity method		—	—
3. Changes in fair value of other equity instrument investments		—	—
4. Changes in fair value of the enterprise's own credit risk		—	—
5. Others		—	—
(II) Other comprehensive income that may be reclassified to profit or loss		—	—
1. Other comprehensive income that may be transferred to profit or loss under the equity method		—	—
2. Gain or loss from changes in fair value of available-for-sale financial assets		—	—
3. Profit or loss from held-to-maturity investments reclassified to available-for-sale financial assets		—	—
4. Changes in fair value of other debt investments		—	—
5. Amounts of financial assets reclassified to other comprehensive income		—	—
6. Credit impairment provision for other debt investments		—	—
7. Reserves for cash flow hedges		—	—
8. Differences from translation of financial statement denominated in foreign currency		—	—
9. Investment income from a package disposal of subsidiaries before loss of control		—	—
10. Conversion of other assets to investment property measured by fair value model		—	—
11. Others		—	—
Other comprehensive income attributable to minority Shareholders, net of tax		—	—
VI. TOTAL COMPREHENSIVE INCOME		124,923,737.13	63,762,348.25
1. Total comprehensive income attributable to owners of the parent company		124,923,737.13	63,762,348.25
2. Total comprehensive income attributable to minority Shareholders		—	—
VII. EARNINGS PER SHARE:	(XIX)		
(I) Basic earnings per Share		0.27	0.14
(II) Diluted earnings per Share		0.27	0.14



COMBINED STATEMENT OF CASH FLOWS

(presented in RMB unless otherwise stated)

Item	Note VI	30 June 2023 (Unaudited)	30 June 2022 (Audited)
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		77,680,224.87	123,110,628.67
Tax rebates received		265,577.83	38,398,829.67
Cash received relating to other operating activities		32,506,067.84	21,608,125.37
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Sub-total of cash inflows from operating activities		110,451,870.54	183,117,583.71
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Cash paid for purchase of goods and receipt of services		236,614,244.45	580,557,966.01
Cash paid to and on behalf of employees		127,136,281.23	170,011,677.68
Payments of tax charges		87,387,284.04	46,095,051.58
Cash paid relating to other operating activities		40,811,130.10	21,033,926.32
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Sub-total of cash outflows from operating activities		491,948,939.82	817,698,621.59
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Net cash flows from operating activities		-381,497,069.28	-634,581,037.88
<hr/>			
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		118,705.07	—
Net cash received from disposal of subsidiaries and other operating entities		—	—
Cash received relating to other investing activities		—	—
<hr/>			
Sub-total of cash inflows from investing activities		118,705.07	—
<hr/>			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		4,105,046.20	2,585,853.60
Cash paid to acquire investments		—	—
Net cash paid to acquire subsidiaries and other operating entities		—	—
Cash paid relating to other investing activities		—	—
<hr/>			
Sub-total of cash outflows from investing activities		4,105,046.20	2,585,853.60
<hr/>			
Net cash flows from investing activities		-3,986,341.13	-2,585,853.60



COMBINED STATEMENT OF CASH FLOWS

Item	Note VI	30 June 2023 (Unaudited)	30 June 2022 (Audited)
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from capital contributions		—	—
Of which: Cash received from capital contributions by minority Shareholders in subsidiaries		—	—
Cash received from borrowings		70,280,000.00	378,990,355.06
Cash received relating to other financing activities		—	—
<hr/>			
Sub-total of cash inflows from financing activities		70,280,000.00	378,990,355.06
<hr/>			
Cash paid for repayment of debts		—	—
Cash paid for distribution of dividends, profits or interest payment		15,930,400.00	14,071,049.51
Of which: dividends and profits paid to minority Shareholders by subsidiaries		—	—
Other cash paid relating to financing activities		—	—
<hr/>			
Sub-total of cash outflows from financing activities		15,930,400.00	14,071,049.51
<hr/>			
Net cash flows from financing activities		54,349,600.00	364,919,305.55
<hr/>			
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		502,739.79	—
<hr/>			
V. NET INCREASE IN CASH AND CASH EQUIVALENTS		-330,631,070.62	-272,247,585.93
<hr/>			
Add: Cash and cash equivalent balance at beginning of the period		1,030,236,102.05	664,306,698.15
<hr/>			
VI. CASH AND CASH EQUIVALENT BALANCE AT END OF THE PERIOD		699,605,031.43	392,059,112.22
<hr/>			



COMBINED STATEMENT OF CHANGES IN EQUITY

(presented in RMB unless otherwise stated)

January to June 2023 (Unaudited)

Item	Shareholders' equity attributable to the parent company										Total Shareholders' equity
	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Minority interests		
I. Closing balance of previous year	466,700,000.00				-1,786,642.82	25,643,923.18	29,831,863.56	391,512,294.20			911,901,438.12
Add: Change in accounting policy											
Correction of accounting errors for prior period											
Business combination under common control											
Others											
II. Opening balance of current year	466,700,000.00				-1,786,642.82	25,643,923.18	29,831,863.56	391,512,294.20			911,901,438.12
III. Changes during the period								82,920,737.13			82,920,737.13
(I) Total comprehensive income								124,923,737.13			124,923,737.13
(II) Shareholders' contribution and capital reduction											
1. Ordinary Shares contribution by Shareholders											
2. Capital invested by other equity instrument holders											
3. Share payment included in shareholders' equity											
4. Others											
(III) Profit appropriation								-42,003,000.00			-42,003,000.00
1. Appropriation to surplus reserve											
2. Distribution to shareholders								-42,003,000.00			-42,003,000.00
3. Others											
(IV) Internal transfer of shareholders' equity											
1. Capital reserve transferred to share capital											
2. Surplus reserve transferred to 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											
(V) Special reserve											
1. Appropriation in the current period											
2. Utilized in the current period											
(VI) Others											
IV. Closing balance of current period	466,700,000.00				-1,786,642.82	25,643,923.18	29,831,863.56	474,433,031.33			994,822,175.25



COMBINED STATEMENT OF CHANGES IN EQUITY

January to June 2022 (Audited)

Item	Shareholders' equity attributable to the parent company								Minority interests	Total Shareholders' equity
	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits		
I. Closing balance of previous year	466,700,000.00				-1,629,142.82	22,600,130.11	19,895,513.09	340,451,167.21		848,017,667.59
Add: Change in accounting policy										
Correction of accounting errors for prior period										
Business combination under common control										
Others										
II. Opening balance of current year	466,700,000.00				-1,629,142.82	22,600,130.11	19,895,513.09	340,451,167.21		848,017,667.59
III. Changes during the period						578,842.15		10,091,848.25		10,670,690.40
(I) Total comprehensive income								63,762,348.25		63,762,348.25
(II) Shareholders' contribution and capital reduction										
1. Ordinary Shares contribution by Shareholders										
2. Capital invested by other equity instrument holders										
3. Share payment included in Shareholders' equity										
4. Others										
(III) Profit appropriation								-53,670,500.00		-53,670,500.00
1. Appropriation to surplus reserve								-53,670,500.00		-53,670,500.00
2. Distribution to shareholders										
3. Others										
(IV) Internal transfer of Shareholders' equity										
1. Capital reserve transferred to share capital										
2. Surplus reserve transferred to 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										
(V) Special reserve						578,842.15				578,842.15
1. Appropriation in the current period						578,842.15				578,842.15
2. Utilized in the current period										
(VI) Others										
IV. Closing balance of current period	466,700,000.00				-1,629,142.82	23,178,972.26	19,895,513.09	350,543,015.46		858,688,357.99



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

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

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

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



NOTES TO FINANCIAL STATEMENTS

I. GENERAL INFORMATION OF THE COMPANY (Continued)

(II) Scope of Combined Financial Statements

As of 30 June 2023, 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)

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)

Jilin Province Northeast Heating Co., Ltd.*

(吉林省東北供熱有限公司)

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



NOTES TO FINANCIAL STATEMENTS

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 were discovered, thus these financial statements were prepared under going concern basis.

III. DESCRIPTION ON 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 reflected in 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 requirements under the ASBEs; and have truthfully and completely reflected information such as financial position, operating results and cash flow, etc. of the Company during the Reporting Period.

(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).



NOTES TO FINANCIAL STATEMENTS

III. DESCRIPTION ON SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(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 are 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. DESCRIPTION ON 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

When 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 direct the use of the commodities and obtain almost all economic benefits from them.

The Company evaluates the contract on the contract commencement 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 simultaneously receives and consumes the economic benefits generated from the Company's performance as the Company performs; (2) The customer has the ability to control the goods under construction during the Company's performance; (3) The goods produced during the performance of the Company have irreplaceable uses, and the Company has the right to receiving payment for the accumulated portion of performance completed to date throughout the contract period. Otherwise, the Company recognizes revenue at the point in time 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 costs incurred by the Company are expected to be compensated, revenue is recognized according to the amount of costs incurred until the performance progress can be reasonably determined.



NOTES TO FINANCIAL STATEMENTS

III. DESCRIPTION ON SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Income (Continued)

2. Detailed method for revenue recognition

(1) *Provision of heat supply services*

If the customer simultaneously receives and consumes the resources provided by the Company as the Company satisfies its performance obligations for heat supply services, it is a performance obligation satisfied within a certain period of time. Revenue from heat supply services is determined on the basis of the actual heating area and the heat supply price approved by relevant government departments, and is recognised by month over the heat supply 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 contract with customers and agrees to a heat service period, and income from pipeline connection fee is recognised 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 services*

Revenue from the provision of heat transmission services, which utilises the heat transmission network of the Company to provide heat transmission services to other heat supply units, is recognised 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*

If the customer is able to control the Company's asset during the performance as the Company satisfies its performance obligation for engineering construction and maintenance services, it is a performance obligation satisfied within a certain period of time, and the Company recognises 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 accomplishing the construction services.

(5) *Design services*

The design services provided by the Company include design, consultancy and feasibility studies for heating projects. Due to the fact that the products produced in the course of the Company's performance are of irreplaceable use and the Company is entitled to receive payment for the accumulated portion of performance completed to date throughout the contract period, it is a performance obligation satisfied within a certain period of time. 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.



NOTES TO FINANCIAL STATEMENTS

III. DESCRIPTION ON SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

(VII) Income (Continued)

2. Detailed method for revenue recognition (Continued)

(6) *Sale of goods*

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

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 significant accounting policies during the Reporting Period.

(II) Changes in Accounting Estimates

There were no changes in significant 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.



NOTES TO FINANCIAL STATEMENTS

V. TAXATION

(I) Main Types of Taxes and Tax 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%	
	Amount of turnover tax paid	7%	
Education surcharge	Amount of turnover tax payable	3%	
Local education surcharge	Amount of turnover tax payable	2%	
Enterprise income tax	Amount of income tax payable	25%, 20%, 15%	
Property tax	Based on 70% of the original value of property (or rental income)	1.2%	

(II) Preferential Tax

1. VAT

- (1) The Company, Changchun Yatai Heating Co., Ltd.* (長春亞泰熱力有限責任公司) and Jilin Province Xixing Energy Limited* (吉林省西興能源有限公司) were subject to the "Notice on the Renewal of Preferential Policies on VAT, Property Tax and Urban Land Use Tax for Heat Supply Enterprises" (Cai Shui [2019] No. 38) (《關於延續供熱企業增值稅房產稅城鎮土地使用稅優惠政策的通知》財稅[2019]38號) issued by the Ministry of Finance and the State Administration of Taxation, which stated that in order to support residents' heating needs, the policies on VAT, property tax and urban land use tax for heat supply enterprises in the "three north" regions (hereinafter referred to as heat supply enterprises) are as follows: I. Starting from 1 January 2019 to the end of the heating period in 2020, heat supply fee income generated by heat supply enterprises for heat supplied to individual residents (hereinafter referred to as residents) shall be exempted from VAT.

The preferential tax policies stipulated in the Announcement of the Ministry of Finance and the State Administration of Taxation on Extending the Effective Period of Some Preferential Tax Policies (Announcement of the Ministry of Finance and the State Administration of Taxation [2021] No. 6 II) and the Notice of the Ministry of Finance and the State Administration of Taxation on the Renewal of Preferential Policies on VAT, Property Tax and Urban Land Use Tax of Heat Supply Enterprises (Cai Shui [2019] No. 38) were extended to the end of the heat supply period in 2023.



NOTES TO FINANCIAL STATEMENTS

V. TAXATION (Continued)

(II) Preferential Tax (Continued)

1. VAT (Continued)

- (2) On 9 January 2023, pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on Clarifying the Policies of Reducing and Exempting Value-added Tax and Other Policies for Small-scale Taxpayers of Value-added Tax (Announcement of the Ministry of Finance and the State Administration of Taxation No. 1 of 2023) (《財政部稅務總局關於明確增值稅小規模納稅人減免增值稅等政策的公告》(財政部稅務總局公告2023年第1號)), the policy of adding and deducting the value-added tax (VAT) was implemented from 1 January 2023 to 31 December 2023 in accordance with the following provisions: taxpayers of the production service industry are allowed to credit their tax payable in accordance with the deductible input tax for the current period, plus an addition of 5 % thereof against the amount of tax 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.



NOTES TO FINANCIAL STATEMENTS

V. TAXATION (Continued)

(III) Preferential Tax (Continued)

2. Income tax

(1) *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)

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 of the People’s Republic of China” (《中華人民共和國企業所得稅法實施條例》), the “Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Adjustment 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 “Notice of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Adjustment on Printing and Issuing of the Guidelines for the Administration of the Recognition of High and New 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)), 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 29 November 2022, which is valid for three years, it is eligible for the preferential enterprise income tax policy for High and New Tech Enterprises. On 9 April 2021, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement on the Implementation of Preferential Policies on Income Tax for Small and Micro Enterprises and Individual Businesses (Announcement of Ministry of Finance and the State Administration of Taxation No. 12 of 2021) (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》(財政部稅務總局公告2021年第12號)), which provides that, for small and micro-profit enterprises, for the portion of their annual taxable income not exceeding RMB1 million, the corporate income tax subjected to shall be halved in addition to the preferential policies stipulated under Article 2 of Cai Shui (the Ministry of Finance and the State Administration of Taxation) Document No. 13 of 2019, i.e. the consolidated income tax rate for the portion of annual taxable income not exceeding RMB1 million shall be 2.5%, which shall be implemented from 1 January 2021 to 31 December 2022. On 14 March 2022, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement on Further Implementation of Preferential Policies for Small and Micro Enterprises’ Income Tax (Announcement of Ministry of Finance and the State Administration of Taxation No. 13 of 2022) (《關於進一步實施小微企業所得稅優惠政策的公告》(財政部稅務總局公告2022年第13號)), which provides that, for small and micro-profit enterprises, the portion of their annual taxable income exceeding RMB1 million but not exceeding RMB3 million shall be included in the taxable income at a reduced rate of 25% and the corporate income tax shall be paid at the tax rate of 20%, which shall be implemented from 1 January 2022 to 31 December 2024. On 26 March 2023, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement of Ministry of Finance and the State Administration of Taxation on the Implementation of Preferential Policies on Income Tax for Small and Micro Enterprises and Individual Businesses (Announcement of Ministry of Finance and the State Administration of Taxation No. 6 of 2023) (《財政部稅務總局關於小微企業和個體工商戶所得稅優惠政策的公告》(財政部稅務總局公告2023年第6號)), which provides that, for small and micro-profit enterprises, the portion of their annual taxable income not exceeding RMB1 million shall be included in the taxable income at a reduced rate of 25% and the corporate income tax shall be paid at the tax rate of 20%, which shall be implemented from 1 January 2023 to 31 December 2024.



NOTES TO FINANCIAL STATEMENTS

V. TAXATION (Continued)

(III) Preferential Tax (Continued)

2. Income tax (Continued)

- (2) *Jilin Province Changre Electrical Apparatus Company Limited** (吉林省長熱電氣儀錶有限公司) According to Rule 11 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 of the People’s Republic of China” (《中華人民共和國企業所得稅法實施條例》), the “Notice of the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on Adjustment 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 “Notice of the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on Adjustment on Printing and Issuing of the Guidelines for the Administration of the Recognition of High and New 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)), 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. On 9 April 2021, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement on the Implementation of Preferential Policies on Income Tax for Small and Micro Enterprises and Individual Businesses (Announcement of Ministry of Finance and the State Administration of Taxation No. 12 of 2021) (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》(財政部稅務總局公告2021年第12號)), which provides that, for small and micro-profit enterprises, for the portion of their annual taxable income not exceeding RMB1 million, the corporate income tax subjected to shall be halved in addition to the preferential policies stipulated under Article 2 of *Cai Shui* (the Ministry of Finance and the State Administration of Taxation) Document No. 13 of 2019, i.e. the consolidated income tax rate for the portion of annual taxable income not exceeding RMB1 million shall be 2.5%, which shall be implemented from 1 January 2021 to 31 December 2022. On 14 March 2022, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement on Further Implementation of Preferential Policies for Small and Micro Enterprises’ Income Tax (Announcement of Ministry of Finance and the State Administration of Taxation No. 13 of 2022) (《關於進一步實施小微企業所得稅優惠政策的公告》(財政部稅務總局公告2022年第13號)), which provides that, for small and micro-profit enterprises, the portion of their annual taxable income exceeding RMB1 million but not exceeding RMB3 million shall be included in the taxable income at a reduced rate of 25% and the corporate income tax shall be paid at the tax rate of 20%, which shall be implemented from 1 January 2022 to 31 December 2024. On 26 March 2023, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement of Ministry of Finance and the State Administration of Taxation on the Implementation of Preferential Policies on Income Tax for Small and Micro Enterprises and Individual Businesses (Announcement of Ministry of Finance and the State Administration of Taxation No. 6 of 2023) (《財政部稅務總局關於小微企業和個體工商戶所得稅優惠政策的公告》(財政部稅務總局公告2023年第6號)), which provides that, for small and micro-profit enterprises, the portion of their annual taxable income not exceeding RMB1 million shall be included in the taxable income at a reduced rate of 25% and the corporate income tax shall be paid at the tax rate of 20%, which shall be implemented from 1 January 2023 to 31 December 2024.



NOTES TO FINANCIAL STATEMENTS

V. TAXATION (Continued)

(II) Preferential Tax (Continued)

2. Income tax (Continued)

(3) *Jilin Province Hengxin Electricity Co. Ltd.* (吉林省恒信售電有限公司)*

On 9 April 2021, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement on the Implementation of Preferential Policies on Income Tax for Small and Micro Enterprises and Individual Businesses (Announcement of Ministry of Finance and the State Administration of Taxation No. 12 of 2021) (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》(財政部稅務總局公告2021年第12號)), which provides that, for small and micro-profit enterprises, for the portion of their annual taxable income not exceeding RMB1 million, the corporate income tax subjected to shall be halved in addition to the preferential policies stipulated under Article 2 of Cai Shui (the Ministry of Finance and the State Administration of Taxation) Document No. 13 of 2019, i.e. the consolidated income tax rate for the portion of annual taxable income not exceeding RMB1 million shall be 2.5%, which shall be implemented from 1 January 2021 to 31 December 2022. On 14 March 2022, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement on Further Implementation of Preferential Policies for Small and Micro Enterprises' Income Tax (Announcement of Ministry of Finance and the State Administration of Taxation No. 13 of 2022) (《關於進一步實施小微企業所得稅優惠政策的公告》(財政部稅務總局公告2022年第13號)), which provides that, for small and micro-profit enterprises, the portion of their annual taxable income exceeding RMB1 million but not exceeding RMB3 million shall be included in the taxable income at a reduced rate of 25% and the corporate income tax shall be paid at the tax rate of 20%, which shall be implemented from 1 January 2022 to 31 December 2024. On 26 March 2023, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement of Ministry of Finance and the State Administration of Taxation on the Implementation of Preferential Policies on Income Tax for Small and Micro Enterprises and Individual Businesses (Announcement of Ministry of Finance and the State Administration of Taxation No. 6 of 2023) (《財政部稅務總局關於小微企業和個體工商戶所得稅優惠政策的公告》(財政部稅務總局公告2023年第6號)), which provides that, for small and micro-profit enterprises, the portion of their annual taxable income not exceeding RMB1 million shall be included in the taxable income at a reduced rate of 25% and the corporate income tax shall be paid at the tax rate of 20%, which shall be implemented from 1 January 2023 to 31 December 2024.



NOTES TO FINANCIAL STATEMENTS

V. TAXATION (Continued)

(III) Preferential Tax (Continued)

2. Income tax (Continued)

(4) *Jilin Chuncheng Clean Energy Company Limited** (吉林省春城清潔能源有限責任公司)

On 9 April 2021, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement on the Implementation of Preferential Policies on Income Tax for Small and Micro Enterprises and Individual Businesses (Announcement of Ministry of Finance and the State Administration of Taxation No. 12 of 2021) (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》)(財政部稅務總局公告2021年第12號), which provides that, for small and micro-profit enterprises, for the portion of their annual taxable income not exceeding RMB1 million, the corporate income tax subjected to shall be halved in addition to the preferential policies stipulated under Article 2 of Cai Shui (the Ministry of Finance and the State Administration of Taxation) Document No. 13 of 2019, i.e. the consolidated income tax rate for the portion of annual taxable income not exceeding RMB1 million shall be 2.5%, which shall be implemented from 1 January 2021 to 31 December 2022. On 14 March 2022, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement on Further Implementation of Preferential Policies for Small and Micro Enterprises' Income Tax (Announcement of Ministry of Finance and the State Administration of Taxation No. 13 of 2022) (《關於進一步實施小微企業所得稅優惠政策的公告》)(財政部稅務總局公告2022年第13號), which provides that, for small and micro-profit enterprises, the portion of their annual taxable income exceeding RMB1 million but not exceeding RMB3 million shall be included in the taxable income at a reduced rate of 25% and the corporate income tax shall be paid at the tax rate of 20%, which shall be implemented from 1 January 2022 to 31 December 2024. On 26 March 2023, the Ministry of Finance and the State Administration of Taxation jointly promulgated the Announcement of Ministry of Finance and the State Administration of Taxation on the Implementation of Preferential Policies on Income Tax for Small and Micro Enterprises and Individual Businesses (Announcement of Ministry of Finance and the State Administration of Taxation No. 6 of 2023) (《財政部稅務總局關於小微企業和個體工商戶所得稅優惠政策的公告》)(財政部稅務總局公告2023年第6號), which provides that, for small and micro-profit enterprises, the portion of their annual taxable income not exceeding RMB1 million shall be included in the taxable income at a reduced rate of 25% and the corporate income tax shall be paid at the tax rate of 20%, which shall be implemented from 1 January 2023 to 31 December 2024.



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 did not have any income that is subject to Hong Kong profits tax for the period between January to June 2023.

VI. DESCRIPTION ON KEY ITEMS IN THE COMBINED FINANCIAL STATEMENTS

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

(I) Trade Receivables

1. Disclosure of trade receivables based on ageing

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



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

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

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



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

(1) Ageing analysis portfolio — Heat supply business

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

(2) Ageing analysis portfolio — Basic heating fee

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



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)

(3) Ageing analysis portfolio — Engineering business

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

(II) Prepayments

Ageing	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	99,360,053.09	97.96	585,641,314.53	99.70
1 to 2 years	519,667.51	0.51	230,468.52	0.04
2 to 3 years				
Over 3 years	1,553,425.02	1.53	1,553,425.02	0.26
Total	101,433,145.62	100.00	587,425,208.07	100.00

(III) Other Receivables

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Interest receivables		
Dividend receivables		
Other receivables	9,097,573.67	17,686,677.50
Total	9,097,573.67	17,686,677.50



NOTES TO FINANCIAL STATEMENTS

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

(III) Other Receivables (Continued)

1. Disclosure based on ageing

Ageing	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Within 1 year	3,048,602.03	16,001,974.78
1 to 2 years	12,733,258.56	4,351,530.11
2 to 3 years	4,249,130.11	68,600.00
3 to 4 years	56,817.92	38,217.92
4 to 5 years	15,000.00	139,083.00
Over 5 years	1,704,129.74	1,580,046.74
Sub-total	21,806,938.36	22,179,452.55
Less: Provision for bad debts	12,709,364.69	4,492,775.05
Total	9,097,573.67	17,686,677.50

2. Classification by nature of the amount

Nature of the amount	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Heating fee		
Service fee		
Deposit		
Guarantee	392,000	477,000.00
Petty cash	1,186,930.97	735,248.83
Current account payment	19,323,042.92	17,264,167.16
Others	904,964.47	3,703,036.56
Total	21,806,938.36	22,179,452.55

3. Disclosure based on three stages of financial asset impairment

Item	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Carrying balance	Provision for bad debts	Carrying amount	Carrying balance	Provision for bad debts	Carrying amount
Stage 1	20,602,075.16	11,504,501.49	9,097,573.67	20,974,589.35	3,287,911.85	17,686,677.50
Stage 2						
Stage 3	1,204,863.20	1,204,863.20	—	1,204,863.20	1,204,863.20	—
Total	21,806,938.36	12,709,364.69	9,097,573.67	22,179,452.55	4,492,775.05	17,686,677.50



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	30 June 2023 (Unaudited)			Total
	Stage one Next 12-months ECL	Stage two Lifetime ECL (not credit impaired)	Stage three Lifetime ECL (credit impaired)	
Opening balance	3,287,911.85		1,204,863.20	4,492,775.05
Opening balance during the current period which:	3,287,911.85		1,204,863.20	4,492,775.05
— transferred to stage two				
— transferred to stage three				
— reversed to stage two				
— reversed to stage one				
Provision in the current period	8,223,720.23			8,223,720.23
Reversal in the current period	7,130.59			7,130.59
Charge-off in the current period				
Written-off in the current period				
Other changes				
Closing balance	11,504,501.49		1,204,863.20	12,709,364.69

Provision for bad debts	31 December 2022 (Audited)			Total
	Stage one Next 12-months ECL	Stage two Lifetime ECL (not credit impaired)	Stage three Lifetime ECL (credit impaired)	
Opening balance	1,002,250.12		1,204,863.20	2,207,113.32
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	2,285,661.73			2,285,661.73
Reversal in the current period				
Charge-off in the current period				
Written-off in the current period				
Other changes				
Closing balance	3,287,911.85		1,204,863.20	4,492,775.05



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 2023 (Unaudited)			31 December 2022 (Audited)		
	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount
Amounts completed and settled	129,556,317.81	57,614,446.07	71,941,871.74	133,456,297.15	53,508,511.47	79,947,785.68
Quality guarantee deposit	9,645,495.12	5,895,851.10	3,749,644.02	13,969,863.36	4,554,518.93	9,415,344.43
Total	139,201,812.93	63,510,297.17	75,691,515.76	147,426,160.51	58,063,030.40	89,363,130.11

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

Item	31 December 2022 (Audited)	Movement during the current period			30 June 2023 (Unaudited)
		Provision	Reversal	Charge-off or write-off	
Quality guarantee deposit	4,554,518.93	1,458,353.90	117,021.73		5,895,851.10
Amounts completed but unsettled	53,508,511.47	10,024,732.77	5,918,798.17		57,614,446.07
Total	58,063,030.40	11,483,086.67	6,035,819.90		63,510,297.17

(V) Other Current Assets

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Input tax to be deducted	34,494,609.79	14,092,685.65
Prepaid tax	1,658,399.99	3,170,961.48
Total	36,153,009.78	17,263,647.13



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 2023, the Company did not dispose investment properties, fixed assets, intangible assets and other long-term assets.

During the six months ended 30 June 2023, the Company spent approximately RMB4,105.0 thousand thousand (six months ended 30 June 2022: RMB2,585.8 thousand), mainly on construction in progress, machinery and equipment and transportation equipment, and production capacity enhancement.

(VII) Trade Payables

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



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 2023 (Unaudited)	31 December 2022 (Audited)
Quality guarantee deposit	15,996.00	15,996.00
Deposit and guarantee	1,023,945.25	1,030,614.00
Current account payment	42,062,100.69	12,599,379.77
Insurance	97,699.76	788,144.98
Utility	1,141,060.42	6,569,104.71
Others	321,816.99	362,744.24
Total	44,662,619.11	21,365,983.70

(IX) Non-current Liabilities Due within One Year

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Lease liabilities due within one year	476,190.47	476,190.47
Total	476,190.47	476,190.47

(X) Other Current Liabilities

Item	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Tax to be charged-off	608,228.97	17,836.40
Total	608,228.97	17,836.40



NOTES TO FINANCIAL STATEMENTS

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

(XI) Share Capital

Name of investor	31 December 2022 (Audited)		Increase during the current period	Decrease during the current period	30 June 2023 (Unaudited)	
	Amount of investment	Shareholding percentage (%)			Amount of investment	Shareholding percentage (%)
Chuncheng Investment	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 of 30 June 2023, 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 identifying reportable segments and the accounting policies

The Company identified two operating segments, namely the heat supply segment and the construction, maintenance and design services segment, based on the internal organizational structure, management requirements and internal reporting system. Each reportable segment of the Company offers different products or services. As each segment requires different technologies or market strategies, the Company's management manages the operating activities of each reportable segment separately, and regularly evaluates the operating results of these reportable segments to determine the allocation of resources and to evaluate their performance.

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



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



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

(XIV) Operating Costs

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



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

(XVI) Income tax expense

1. List of income tax expense

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

2. Reconciliation between accounting profit and income tax expense

Item	January to June 2023 (Unaudited)	January to June 2022 (Audited)
Total profit	175,711,188.67	89,714,080.72
Income tax expense calculated at statutory/applicable tax rates	43,796,009.13	22,428,520.18
Effect of different tax rates applicable to subsidiaries	44,768.89	124,591.59
Effect of adjustments to income tax on prior periods	4,820,065.12	17,620.52
Effect of non-taxable income		
Effect of non-deductible costs, expenses and losses		
Effect of deductible loss on utilisation of deferred income tax assets that were not recognised in the previous period		-410,756.20
Effect of deductible temporary difference or deductible loss on deferred income tax assets that were not recognised in the current period	2,287,435.16	3,791,756.38
Others	-160,826.76	
Income tax expense	50,787,451.54	25,951,732.47



NOTES TO FINANCIAL STATEMENTS

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

(XVII) Profit before Interest, Tax, Depreciation and Amortization

Item	January to June 2023 (Unaudited)
Net profit	124,923,737.13
Income tax expense	50,787,451.54
Depreciation of fixed assets provided for	66,556,467.98
Amortization of intangible assets provided for	626,736.44
Amortization of long-term deferred expenditures provided for	263,863.24
Interest and investment income	9,841,436.25
Interest income from financial institution	—
Interest charges	5,271,142.44
Interest expenses to financial institution	—
Profit before interest, tax, depreciation and amortization	238,587,962.52

(XVIII) Dividend

1. **Interim dividend**

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

2. **Dividends payable to Shareholders for the previous financial year, approved during the interim period**

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



NOTES TO FINANCIAL STATEMENTS

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

(XIX) Earnings per Share

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

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

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 those between the parent company and them have been eliminated.



NOTES TO FINANCIAL STATEMENTS

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(II) Related Party Transactions (Continued)

2. Continuing related party transactions and related party transactions

(1) Particulars of goods and services transactions

Related party	January to June 2023 (Unaudited)	January to June 2022 (Audited)
Sale of goods		
Inner Mongolia Chuncheng Heating Service Co., Ltd.* (內蒙古春城熱力服務有限公司)	—	13,018.87
Changchun Longtai Heating Property Co., Ltd.* (長春龍泰供熱物業有限責任公司)	1,753,885.05	3,531,020.59
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	2,509,339.61	2,256,591.64
Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	128,217.95	16,981.13
Sub-total of related natural person	22,098.56	33,771.70
Procurement of goods		
Changchun Thermal Power Branch of Jilin Electric Power Co., Ltd.* (吉林電力股份有限公司長春熱電分公司)	80,799,607.73	85,205,261.24
Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司)	15,077,107.08	10,406,623.93
Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	64,831,844.62	87,578,712.70
Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限責任公司)	2,734,789.35	311,839.24



NOTES TO FINANCIAL STATEMENTS

VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

(I) Related Party Transactions (Continued)

2. Continuing related party transactions and related party transactions (Continued)

(1) Particulars of goods and services transactions (Continued)

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 continuing connected transactions under Chapter 14A of the Listing Rules.

3. Amounts due from/to related parties

(1) Amounts due from related parties to the Company

Item	Related party	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
		Carrying balance	Provision for bad debts	Carrying balance	Provision for bad debts
Trade receivables					
	Jilin Province Heating Group Tonghua Public Utilities Co., Ltd.* (吉林省熱力集團通化市公用事業有限公司)	263,949.90	26,236.62	1,229,833.00	70,100.48
	Jilin Province Heating Group Co., Ltd.* (吉林省熱力集團有限公司)	1,443,333.30	143,467.33	4,680,342.60	266,779.53
	Jilin Heating Tumen Utility Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	185,537.80	18,442.46	834,920.10	47,590.45
	Inner Mongolia Chuncheng Heating Service Co., Ltd.* (內蒙古春城熱力服務有限公司)	71,594.40	7,116.48	238,648.00	13,602.94
	Changchun Longtai Heating Property Co., Ltd.* (長春龍泰供熱物業有限責任公司)	895,000.00	855,745.00	995,000.00	842,465.50
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	5,334,764.56	391,128.31	10,983,369.94	637,370.08
	Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	1,234,274.80	122,686.92	3,020,828.90	172,187.25
	Changchun Investment and Construction (Group) Co., Ltd.* (長春城投建設投資(集團)有限公司)			46,946.31	10,304.72
Prepayments					
	Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限責任公司)	81,159.37			
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	1,106,157.00		40,897,797.61	
	Datang Changre Jilin Heating Co., Ltd.* (大唐長熱吉林熱力有限公司)			5,647,559.36	
	Changchun Thermal Power Branch of Jilin Electric Power Co., Ltd.* (吉林電力股份有限公司長春熱電分公司)			143,951,891.83	
Other receivables					
	Jilin Province Heating Group Tonghua Public Utilities Co., Ltd.* (吉林省熱力集團通化市公用事業有限公司)	385.23	385.23		
	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	15,000.00	15,000.00	15,000.00
Contract assets					
	Jilin Heating Group Tumen Public Utilities Co., Ltd.* (吉熱集團圖們市公用事業有限公司)	1,577,464.60	449,433.50	1,577,464.60	331,178.54
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	6,510,148.19	1,328,794.35	4,133,225.11	797,612.67
	Changchun Investment and Construction (Group) Co., Ltd.* (長春城投建設投資(集團)有限公司)	2,898,436.44	1,319,744.82	3,014,745.47	1,246,086.80
	Changchun Light Rail Heat Supply Co., Ltd.* (長春市輕軌供熱有限公司)	433,787.79	132,072.47	301,723.30	51,927.76



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 2023 (Unaudited)	31 December 2022 (Audited)
Trade payables			
	Jilin Province New Model Pipes Co., Ltd.* (吉林省新型管業有限責任公司)	10,145,861.38	15,636,789.54
	Jilin Province Smart Equipment Co., Ltd.* (吉林省智能裝備有限責任公司)	1,637,227.08	1,637,227.08
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	4,007,313.66	—
Other payables			
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	6,673,719.92	6,719,003.57
	Jilin Province Heating Group Co., Ltd.* (吉林省熱力集團有限公司)		905.52
Contract liabilities			
	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司)	3,138,944.80	3,138,944.80
	Changchun Longtai Heating Property Co., Ltd.* (長春龍泰供熱物業有限責任公司)	959,584.27	17,782,849.63

VIII. SHARE-BASED PAYMENT

There was no share-based payment during the Reporting Period.



NOTES TO FINANCIAL STATEMENTS

IX. DESCRIPTION ON CONTINGENCIES

(I) Contingent Liabilities

As at 30 June 2023, the Company did not have any discloseable material contingent liabilities.

(II) Contingent Assets

As at 30 June 2023, the Company has no contingent assets that need to be accounted for.

Jilin Province Chuncheng Heating Company Limited

28 August 2023



DEFINITIONS

“ASBEs”	the Accounting Standards for Business Enterprises — Basic Standards (《企業會計準則—基本準則》) issued by the Ministry of Finance and the specific accounting standards for business enterprises, the practice note for the ASBEs, the interpretation of ASBEs and other relevant requirements
“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
“China” or “PRC”	the People’s Republic of China which, for the purposes of this report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Chuncheng Biomass”	Jilin Province Chuncheng Biomass Power Co., Ltd.* (吉林省春城生物質能源有限公司), a wholly-owned subsidiary of the Company
“Chuncheng Investment”	Changchun Chuncheng Investment Development Group Company Limited* (長春市春城投資發展集團有限公司), previously known as Changchun Heating Power (Group) Company Limited* (長春市熱力(集團)有限責任公司), the controlling Shareholder of the Company
“Company” 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 Code”	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 Company’s registered capital with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and held by PRC nationals or PRC incorporated entities, and are not listed or traded on any stock exchange
“Group”	the Company and its subsidiaries
“H Share(s)”	the issued ordinary share(s) 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 areas covered by our heat supply, including both the heat service area which we fully and partially charge for heat fees



DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Listing”	the listing of the H Shares of the Company on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Reporting Period”	the period ended from 1 January 2023 to 30 June 2023
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of RMB1.00 per share
“Shareholder(s)”	the shareholder(s) of the Company
“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
“%”	percent
“*”	for identification purpose only