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**Wise Living Technology Co., Ltd**

**慧居科技股份有限公司**

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

**(Stock Code: 2481)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The Board is pleased to announce the unaudited interim results of the Group for the Reporting Period together with the comparative figures for the Corresponding Period as follows:

### **FINANCIAL PERFORMANCE HIGHLIGHTS**

- Revenue for the Reporting Period was approximately RMB710.8 million, representing an increase of approximately 11.4% as compared with approximately RMB638.2 million for the Corresponding Period.
- Gross profit for the Reporting Period was approximately RMB194.6 million, representing an increase of approximately 40.9% as compared with approximately RMB138.1 million for the Corresponding Period.
- Profit attributable to owners of the Company was approximately RMB79.3 million, representing an increase of approximately 138.9% as compared with approximately RMB33.2 million for the Corresponding Period.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY OVERVIEW**

#### **Overview of the Heat Services Industry in the PRC**

For the residents in northern regions of the PRC, especially the “Three North Region”, who face extreme cold weather during the winter months, the heat services industry is one of their most essential services. During the last few years, the demand for heat services in the PRC has been increasing, with the total heat services area increased from 8.8 billion sq.m. in 2018 to 11.2 billion sq.m. in 2022. It is expected that the total heat services area in the PRC will increase to 14.5 billion sq.m. in 2027.

In line with the implementation of carbon peaking and carbon neutrality objectives, PRC Government encourages municipal governments to develop different ways of clean heating and accelerate the replacement of traditional coal-fired boilers with clean energy. Driven by the industry trend of clean heating, heat services companies have been innovating their heating technology and diversifying their heat sources to achieve cleaner and more efficient heating services.

#### **Overview of the Engineering Construction Services Industry Specialising in Heat Facilities in the PRC**

The development of the engineering construction services industry specialising in heat facilities in the PRC has benefited from the continuous development of the heating services industry, particularly the growing demand related to existing facility upgrades and new energy-efficient facility construction, and policy support from the PRC government. In anticipation of the continuous development of the heat services market in the PRC, it is expected that the market size of the engineering construction services industry specialising in heat facilities will increase to RMB70.8 billion in 2027.

#### **Overview of the EMC Industry in the PRC**

The EMC industry has developed rapidly in the PRC since the beginning of the “12th Five-Year Plan” (《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》). In line with the development of electricity and heat services industries in northern China, an increasing number of energy-related enterprises in this region are opting for EMC services as a way to fulfil their environmental protection objectives. The PRC government has also promulgated a series of regulations and policies to offer preferential tax treatments, interest subsidies and financial rewards for companies meeting energy conservation thresholds.

## **BUSINESS REVIEW**

### **Overview**

We were the second largest non-State-owned cross-provincial heat service provider in the PRC in terms of actual heat services area in 2022. Since our inception in 2010, we have established a leading position in the heat service industry in the “Three North Region”. During the Reporting Period, our revenue was approximately RMB710.8 million, representing a growth of 11.4% as compared with approximately RMB638.2 million for the Corresponding Period. The profit attributable to owners of the Company during the Reporting Period was RMB79.3 million, representing a growth of 138.9% as compared with RMB33.2 million for the Corresponding Period.

### **Business Model**

During the Reporting Period, we were principally engaged in the provision of (a) heat services to residential and non-residential heat service customers under concession rights; (b) heat-related engineering construction services; and (c) heat-related EMC services.

#### **(1) Heat Services**

As at 30 June 2023, we had six heat service projects under concession rights, three of the six projects were in Shanxi Province, one was in Gansu Province, one was in Inner Mongolia Autonomous Region and one was a project under construction in Xinmi of Henan Province. As at 30 June 2023, we had reached the final stage of our preparation to provide heat services in Xinmi. Our provision of heat services in Xinmi is expected to commence from the 2023/24 heat service period in or around November 2023.

Our total actual heat service area was approximately 41.9 million sq.m. as at 30 June 2023, representing an increase of 5.3% from approximately 39.8 million sq.m. as at 30 June 2022. For the Reporting Period, revenue generated from our heat services was approximately RMB645.5 million (Corresponding Period: RMB571.0 million), including (a) fees from customers for provision and distribution of heat of approximately RMB503.9 million (Corresponding Period: RMB454.9 million), (b) price subsidies from local government of approximately RMB93.3 million (Corresponding Period: RMB75.8 million), and (c) pipeline connection fee of approximately RMB48.3 million (Corresponding Period: RMB40.3 million). The increase in the revenue generated from heat services for the Reporting Period was mainly attributable to (a) the increase in the actual heat service area, (b) the increase in heat rates for Lanzhou New Area Project, and (c) the increase in revenue from price subsidies for Shuo Zhou Project.

### A. *Heat Service Customers*

During the Reporting Period, our heat service customers included both residential and non-residential heat service customers. As at 30 June 2023, we had approximately 300,000 heat service customers (30 June 2022: 282,400). The table below sets out our revenue generated from customers for our provision and distribution of heat by customer type for the periods indicated.

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Residential	<b>302,213</b>	<b>60.0</b>	275,148	60.5
Non-residential	<b>201,718</b>	<b>40.0</b>	179,720	39.5
Total	<b><u>503,931</u></b>	<b><u>100.0</u></b>	<b><u>454,868</u></b>	<b><u>100.0</u></b>

### B. *Heat Sources*

During the Reporting Period, our heat sources included (a) heat procured from third party, and (b) heat self-produced by the Group (including heat produced by coal-fired boilers, residual heat collected at cogeneration plants and geothermal heat). Our access to different and diversified heat sources can ensure the provision of stable and reliable heat service to our heat service customers.

### C. *Heat Distribution*

Our heat distribution network comprises two component networks: (a) the primary distribution network, and (b) the secondary distribution network. As at 30 June 2023, we operated and owned most of our primary distribution pipelines with an aggregate length of approximately 546.9 kilometers (30 June 2022: 542.7 kilometers).

## (2) Heat-related Engineering Construction Services

During the Reporting Period, revenue generated from our engineering construction services was approximately RMB43.2 million, representing an increase of 3.1% from approximately RMB41.9 million for the Corresponding Period, which was mainly due to the increase in the actual heat service area which brought in more engineering construction activities to facilitate our provision of heat services under concession rights. The table below sets out the revenue generated from our engineering construction services by service type for the period indicated.

	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Engineering construction services for our concession operations	36,905	85.5	34,773	83.0
Engineering construction services provided to customers	6,247	14.5	7,135	17.0
<b>Total</b>	<b>43,152</b>	<b>100.0</b>	<b>41,908</b>	<b>100.0</b>

## (3) Heat-related EMC Services

During the Reporting Period, we provided energy-conservation service to an energy consuming enterprise to achieve certain energy-saving goals. For the Reporting Period, revenue generated from this EMC project was RMB1.5 million, representing a decrease of 25.0% from RMB2.0 million for the Corresponding Period, which was derived from the share of profit accrued from energy conserved as a result of our energy-conservation services provided.

## (4) Other Businesses

During the Reporting Period, we also engaged in other businesses, including (a) the provision of heat transmission services to a number of customers; (b) the sale of heat service facilities (including heat service equipment, devices and relevant parts) to operators who required such facilities for their business operation; and (c) provision of designing services, which mainly consisted of indoor heat operation designing and consulting services, to some government authorities and commercial operators. The revenue generated from other businesses amounted to RMB20.6 million, representing a decrease of 11.2% from RMB23.2 million for the Corresponding Period. This was mainly due to the decrease in sale of heat service facilities during the Reporting Period.

## FINANCIAL REVIEW

The following table sets forth the comparative figures for the six months ended 30 June 2023 and the six months ended 30 June 2022, respectively.

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Revenue	<b>710,818</b>	638,155
Cost of sales	<b>(516,214)</b>	(500,060)
<b>Gross profit</b>	<b>194,604</b>	138,095
Administrative expenses	<b>(70,063)</b>	(58,987)
Reversal/(provision) of impairment losses on financial assets and contract assets	<b>21,140</b>	(4,042)
Other income	<b>17,131</b>	32,934
Other losses — net	<b>(1,690)</b>	(626)
<b>Operating profit</b>	<b>161,122</b>	107,374
Finance income	<b>9,686</b>	12,652
Finance costs	<b>(25,310)</b>	(51,202)
Finance costs — net	<b>(15,624)</b>	(38,550)
Share of profit of associates accounted for using the equity method	<b>2,935</b>	337
<b>Profit before income tax</b>	<b>148,433</b>	69,161
Income tax expenses	<b>(35,096)</b>	(19,268)
<b>Profit and total comprehensive income for the period</b>	<b><u>113,337</u></b>	<b><u>49,893</u></b>

## Revenue

The following table sets out our revenue by type of service/product for the periods indicated.

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Audited)
Heat Services		
— Fees from customers for provision and distribution of heat	503,931	454,868
— Price subsidies from local government	93,291	75,831
— Pipeline connection fee	48,250	40,307
<b>Sub-total</b>	<b>645,472</b>	<b>571,006</b>
Engineering construction services	43,152	41,908
EMC services	1,488	2,010
Heat transmission services	2,259	3,644
Sales of goods	10,924	15,662
Designing services	2,568	2,905
Others	4,955	1,020
<b>Total</b>	<b>710,818</b>	<b>638,155</b>

During the Reporting Period, our revenue was mainly generated from (a) fees from customers for provision and distribution of heat, (b) price subsidies from local government, and (c) pipeline connection fee, the majority of which were attributable to (a) and (b). For the Reporting Period, our revenue increased by 11.4% from approximately RMB638.2 million for the Corresponding Period to approximately RMB710.8 million for the Reporting Period, primarily due to (a) the increase in the actual heat service area which resulted in the increase in revenue from fees from customers for provision and distribution of heat and pipeline connection fee, (b) the increase in the price subsidies for Shuozhou Project, and (c) the increase in the heat rates for Lanzhou New Area Project.

## Cost of Sales

During the Reporting Period, our cost of sales mainly includes (a) costs for purchases of heat, (b) amortisation of intangible assets, (c) materials consumed, and (d) utility costs. Our cost of sales increased by 3.2% from approximately RMB500.1 million for the Corresponding Period to approximately RMB516.2 million for the Reporting Period, primarily attributable to (a) the increase in the amortisation of intangible assets, and (b) the increase in the cost for provision and distribution of heat as a result of the expansion of actual heat service area.

## Gross profit and gross profit margin

The following table sets out our gross profit and gross profit margin by type of service/product for the periods indicated.

	Six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(Unaudited)		(Audited)	
Heat services	179,906	27.9	122,453	21.4
Engineering construction services	4,540	10.5	5,561	13.3
EMC services	213	14.3	420	20.9
Heat transmission services	1,580	69.9	2,278	62.5
Sales of goods	5,568	51.0	4,687	29.9
Designing services	1,159	45.1	2,405	82.8
Others	1,638	33.1	291	28.5
Total	<u>194,604</u>	<u>27.4</u>	<u>138,095</u>	<u>21.6</u>

For the Reporting Period, our gross profit was approximately RMB194.6 million, representing an increase of 40.9% as compared with approximately RMB138.1 million for the Corresponding Period.

For the Reporting Period, our gross profit margin was approximately 27.4% (Corresponding Period: 21.6%). The increase in gross profit margin was mainly attributable to the improvement in gross profit margin of Lanzhou New Area Project due to increase in heat rates and decrease in the cost of coal consumed per sq.m. in Lanzhou New Area Project.

## **Administrative Expenses**

Our administrative expenses mainly consist of (a) employee benefit expenses, (b) business entertainment expenses, and (c) travelling expenses. Our administrative expenses increased by 18.8% from approximately RMB59.0 million for the Corresponding Period to approximately RMB70.1 million for the Reporting Period, primarily attributable to (a) the increase in the number of employees covered by the social insurance contribution and the adjustment of contribution base of social insurance, which resulted in the increase in employee benefit expenses, and (b) the increase in travelling expenses and business entertainment expenses as we had more marketing activities during the Reporting Period.

## **Reversal/(Provision) of Impairment Losses on Financial Assets and Contract Assets**

During the Reporting Period, we recorded reversal or provisions of impairment losses in respect of our trade, lease and other receivables and contract assets. For the Reporting Period, we recorded a reversal of impairment losses of approximately RMB21.1 million, as compared with a provision of impairment losses of approximately RMB4.0 million for the Corresponding Period, primarily due to the reversal of impairment losses related to the EMC customer and customers of heat services.

## **Other Income**

During the Reporting Period, our other income consisted of (a) government grants, and (b) rental income. For the Reporting Period, our other income was approximately RMB17.1 million, representing a decrease of approximately 48.0% from approximately RMB32.9 million for the Corresponding Period, primarily due to the decrease in government grants provided by the relevant local governments.

## **Other Losses — net**

During the Reporting Period, our other losses-net consisted of fair value losses of investment properties. For the Reporting Period, our other losses-net was approximately RMB1.7 million, representing an increase of approximately 183.3% from approximately RMB0.6 million for the Corresponding Period, primarily due to an one-off gain on disposal of intangible assets recorded during the Corresponding Period.

## **Finance Income and Costs**

For the Reporting Period, our finance income amounted to approximately RMB9.7 million, representing a decrease of approximately 23.6% from approximately RMB12.7 million for the Corresponding Period, primarily due to (a) the decrease in interest income from lease receivables resulting from the modification of EMC which included a decrease in the percentage of sharing revenue and the extension of payment schedule, and (b) the decrease in interest income from financing arrangement.

For the Reporting Period, our finance costs amounted to approximately RMB25.3 million, representing a decrease of approximately 50.6% from approximately RMB51.2 million for the Corresponding Period, primarily due to (a) the one-off costs incurred from modification of lease receivables resulting from the modification of EMC, and (b) the decrease in interest expenses on loans.

## **Income Tax Expenses**

For the Reporting Period, our income tax expenses amounted to approximately RMB35.1 million, representing an increase of approximately 81.9% from approximately RMB19.3 million for the Corresponding Period, primarily due to the increase in the profit generated by the Group.

## **Profit for the Period**

For the Reporting Period, profit for the period amounted to approximately RMB113.3 million, representing an increase of approximately 127.1% from approximately RMB49.9 million for the Corresponding Period, primarily due to (a) the increase in gross profit of the Group, (b) the increase in the amount of reversal of impairment losses made on financial assets and contract assets for the Reporting Period, and (c) the decrease in net finance costs.

## **Profit Attributable to Owners of the Company**

For the Reporting Period, profit attributable to owners of the Company amounted to approximately RMB79.3 million, representing an increase of approximately 138.9% from approximately RMB33.2 million for the Corresponding Period. Profit attributable to owners of the Company was basically in line with the increase in profit for the Reporting Period.

## **PROSPECTS**

Our Xinmi Project has reached the final stage of preparation to provide heat services. The provision of heat services in Xinmi is expected to commence from the 2023/24 heat service period in around November 2023. Therefore, it is expected that all six concessions held by us will be in operation for the upcoming 2023/24 heat service period. The commencement of heat service operation in Xinmi will enable us to achieve growth in the Group's total actual heat service area, and increase fees from customers for provision and distribution of heat for the second half of 2023.

Meanwhile, we will continue to keep pace with local urban developments within our Concession Area to expand the business which is in line with the needs of the heat service customers. We also plan to enhance our heat service capacity so that we can continue to provide stable heat services to our new and existing heat service customers. The Group will also make development plans in acquiring projects to tap into other heat service markets.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>2022</b> <i>RMB'000</i> <b>(Audited)</b>
Revenue	3	<b>710,818</b>	638,155
Cost of sales	4	<b>(516,214)</b>	(500,060)
<b>Gross profit</b>		<b>194,604</b>	138,095
Administrative expenses	4	<b>(70,063)</b>	(58,987)
Reversal/(provision) of impairment losses on financial assets and contract assets		<b>21,140</b>	(4,042)
Other income	5	<b>17,131</b>	32,934
Other losses — net	6	<b>(1,690)</b>	(626)
<b>Operating profit</b>		<b>161,122</b>	107,374
Finance income		<b>9,686</b>	12,652
Finance costs		<b>(25,310)</b>	(51,202)
Finance costs — net		<b>(15,624)</b>	(38,550)
Share of profit of associates accounted for using the equity method		<b>2,935</b>	337
<b>Profit before income tax</b>		<b>148,433</b>	69,161
Income tax expenses	7	<b>(35,096)</b>	(19,268)
<b>Profit and total comprehensive income for the period</b>		<b><u>113,337</u></b>	<u>49,893</u>
<b>Profit and total comprehensive income attributable to:</b>			
— Owners of the Company		<b>79,272</b>	33,166
— Non-controlling interests		<b>34,065</b>	16,727
		<b><u>113,337</u></b>	<u>49,893</u>
<b>Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>			
— Basic and diluted	8	<b><u>0.35</u></b>	<u>0.15</u>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>177,931</b>	155,929
Investment properties		<b>288,950</b>	267,200
Right-of-use assets		<b>26,772</b>	28,381
Intangible assets	<i>10</i>	<b>3,272,144</b>	3,340,965
Investments accounted for using the equity method		<b>97,876</b>	94,966
Trade receivables	<i>11</i>	<b>80,278</b>	88,158
Prepayments and other receivables		<b>47,712</b>	41,865
Contract assets		<b>—</b>	14,610
Deferred income tax assets		<b>59,872</b>	53,674
		<b>4,051,535</b>	4,085,748
<b>Current assets</b>			
Inventories		<b>29,838</b>	48,926
Trade receivables	<i>11</i>	<b>513,787</b>	477,986
Prepayments and other receivables		<b>151,586</b>	153,127
Restricted cash		<b>85,829</b>	100,374
Cash and cash equivalents		<b>206,145</b>	378,068
		<b>987,185</b>	1,158,481
<b>Total assets</b>		<b>5,038,720</b>	5,244,229

	<i>Note</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		226,000	226,000
Other reserves		200,089	200,114
Retained earnings		380,275	301,003
		<u>806,364</u>	<u>727,117</u>
<b>Non-controlling interests</b>		<u>199,510</u>	<u>195,445</u>
<b>Total equity</b>		<u><u>1,005,874</u></u>	<u><u>922,562</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		615,893	634,464
Other payables	12	6,866	7,386
Contract liabilities	3(b)	1,830,398	1,821,454
Lease liabilities		17,611	18,677
Deferred income		75,912	83,459
Deferred income tax liabilities		23,287	20,331
Provision		28,430	25,593
		<u>2,598,397</u>	<u>2,611,364</u>
<b>Current liabilities</b>			
Borrowings		266,993	246,750
Trade and other payables	12	973,411	976,277
Contract liabilities	3(b)	145,173	440,546
Lease liabilities		1,747	1,005
Current income tax liabilities		47,125	45,725
		<u>1,434,449</u>	<u>1,710,303</u>
<b>Total liabilities</b>		<u><u>4,032,846</u></u>	<u><u>4,321,667</u></u>
<b>Total equity and liabilities</b>		<u><u>5,038,720</u></u>	<u><u>5,244,229</u></u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

# NOTES

## 1 BASIS OF PRESENTATION

This Interim Financial Information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The Interim Financial Information does not include all the notes normally included in an annual financial report. Accordingly, it should be read in conjunction with the Accountant’s Report included in Appendix I to the Company’s listing prospectus dated 28 June 2023 (the “**Prospectus**”), which have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”).

As at 30 June 2023, the Group had net current liabilities of RMB447,264,000. The net current liabilities included contract liabilities amounted to RMB145,173,000 which represented the advance receipts from customers in relation to heat supply and pipeline connection fees. Such contract liabilities will normally be recognised as revenue in subsequent reporting periods and will not involve cash outflow in the future. Meanwhile, the Group’s total borrowings as at 30 June 2023 amounted to RMB882,886,000 of which RMB266,993,000 are classified as current liabilities, while its cash and cash equivalents amounted to RMB206,145,000 as at the same date.

Management closely monitors the Group’s financial performance and liquidity position. The cash inflow generated from the Group’s operating activities amounted to RMB26,864,000 for six month ended 30 June 2023. The Group is also able to plan its capital expenditures activities in a conservative manner to avoid an excessively high liquidity risk exposure. In addition, management proactively managed the financing structure of the Group and was able to renew the short-term borrowings and raise new borrowings during the relevant reporting periods as necessary.

As at 30 June 2023, the Group had unused banking facilities amounting to RMB1,039.0 million. Among these facilities, RMB834.0 million is available to the Group within 12 months and RMB205.0 million is available to the Group over 12 months from 30 June 2023. Furthermore, the Company received net proceeds of approximately HK\$187.5 million (equivalent to RMB170.6 million) in connection with its listing on the Stock Exchange in July 2023.

The directors of the Company (the “**Directors**”) have reviewed the Group’s cash flow projections for a period of not less than twelve months from 30 June 2023, made due enquiries with management and considered the bases and assumptions applied in preparation of the projections. The Directors are of the opinion that, taking into account the Group’s projected financial performance and operating cash inflows, the capital expenditures plans, the continuous availability of existing banking facilities, and the financing from new shares issuance, the Group will have sufficient financial resources to support its operations and to meet its financial obligations as and when they fall due in at least the coming twelve months from 30 June 2023. Accordingly, the Interim Financial Information has been prepared on a going concern basis.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the Accountant's Report included in Appendix I to the Prospectus, except for the estimation of income tax (see Note 7) the adoption of new and amended standards as set out below.

### (a) New and amended standard adopted by the Group

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning or after 1 January 2023:

IFRS 17	Insurance contracts
IAS 1 and IFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies
IAS 8 (Amendments)	Definition of accounting estimates
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction

The adoption of these new and amended standards and interpretations did not result in any significant impact on the results and financial position of the Group.

### (b) New standards, amendments and interpretations to existing standards have been issued but not yet effective and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
IFRS 16 (Amendments)	Leases liability in a sale and leaseback	1 January 2024
IAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2024
IAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will adopt the above new or revised standards and amendments to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards and amendments to the existing IFRSs.

### 3 REVENUE AND SEGMENT INFORMATION

#### (a) Revenue from contract with customers

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Audited)
Revenue from contract with customers:		
— Provision and distribution of heat	597,222	530,699
— Consideration from customers	503,931	454,868
— Price subsidies from local government	93,291	75,831
— Engineering construction services	43,152	41,908
— Pipeline connection fees	48,250	40,307
— Heat transmission services	2,259	3,644
— Sale of goods	10,924	15,662
— Energy management services	1,488	2,010
— Designing services	2,568	2,905
— Others	4,955	1,020
	710,818	638,155
Timing of revenue recognition:		
— At a point in time	18,109	23,231
— Over time	692,709	614,924
	710,818	638,155

Management has determined the operating segment based on the reports reviewed by the chief operating decision-maker (the “CODM”), which has been identified as the executive directors of the Company.

The Group is principally engaged in the heat supply and related services in the PRC. The CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM regards that there is only one segment and review the consolidated financial information accordingly.

The major operating entities of the Group are domiciled in the PRC. All of the Group’s revenue are derived in the PRC.

All of the non-current assets were located in the PRC or arisen from transactions as conducted in the PRC for the six months ended 30 June 2023 and 2022.

#### (b) Contract liabilities

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from provision and distribution of heat and pipeline connection fees.

#### 4 EXPENSES BY NATURE

Expenses included in cost of sales and administrative expenses are analysed below:

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Audited)
Costs for purchases of heat	214,111	218,424
Amortisation of intangible assets ( <i>Note 10</i> )	105,726	94,739
Materials consumed	70,391	61,865
Utility costs	53,013	48,715
Employee benefit expenses	44,818	41,406
Construction costs	38,612	36,347
Depreciation of property, plant and equipment	8,590	7,358
Entertainment expenses	5,762	4,039
Cost of goods sold	5,356	10,975
Maintenance expenses	4,386	5,183
Travelling expenses	3,461	2,299
Other taxes and surcharges	3,423	2,863
Listing expenses	3,008	—
Depreciation of right-of-use assets	1,790	2,303
Auditors' remuneration	1,732	352
Short-term lease expenses	870	1,420
Consulting and professional service fees	606	2,039
Others	20,622	18,720
Total	<u>586,277</u>	<u>559,047</u>

#### 5 OTHER INCOME

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Audited)
Government grants (a)	10,615	24,616
Rental income	6,516	8,318
	<u>17,131</u>	<u>32,934</u>

- (a) The government grants received are mainly relating to the Group's heat service operations, for the purpose of subsidising the Group's purchases or constructions of heat service facilities or subsidising for the Group's losses on certain heat service projects. These government grants are non-recurring in nature and they were determined by the local government on an incidental basis. There are no unfulfilled conditions or other contingencies attaching to these government grants.

## 6 OTHER LOSSES — NET

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Audited)
Fair value losses of investment properties	(2,450)	(2,000)
Gains on deregistration of subsidiaries	—	39
Gains on investments in wealth management products, net	—	145
(Losses)/gains on disposal of property, plant and equipment, net	(3)	85
Gains on disposal of intangible assets	—	1,086
Others	763	19
	<u>(1,690)</u>	<u>(626)</u>

## 7 INCOME TAX EXPENSES

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Audited)
Current income tax		
— PRC corporate income tax	38,339	33,418
Deferred income tax	(3,243)	(14,150)
	<u>35,096</u>	<u>19,268</u>

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2023 is 24%, compared to 28% for the six months ended 30 June 2022. The tax rate was lower in 2023 due to use previously carried forward tax losses.

## 8 EARNINGS PER SHARE

### (a) Basic

	<b>Six months ended 30 June</b>	
	<b>2023</b> <b>(Unaudited)</b>	<b>2022</b> <b>(Audited)</b>
Profit attributable to the owners of the Company (RMB'000)	<b>79,272</b>	33,166
Weighted average number of ordinary shares in issue (thousands)	<b>226,000</b>	226,000
Basic earnings per share (RMB per share)	<b><u>0.35</u></b>	<b><u>0.15</u></b>

### (b) Diluted

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding as at 30 June 2023 and 2022.

## 9 DIVIDENDS

No interim dividend was declared and paid by the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

## 10 INTANGIBLE ASSETS

	<b>Goodwill</b> <i>RMB'000</i>	<b>Operating concessions</b> <i>RMB'000</i>	<b>Software</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>At 31 December 2022</b>				
Cost	9,047	4,758,772	20,777	4,788,596
Accumulated amortisation	—	(1,319,420)	(7,700)	(1,327,120)
Accumulated impairment	—	(120,511)	—	(120,511)
Net book amount	<b><u>9,047</u></b>	<b><u>3,318,841</u></b>	<b><u>13,077</u></b>	<b><u>3,340,965</u></b>
<b>Six months ended 30 June 2023</b> <b>(Unaudited)</b>				
Opening net book amount	9,047	3,318,841	13,077	3,340,965
Additions	—	36,905	—	36,905
Amortisation	—	(105,148)	(578)	(105,726)
Closing net book amount	<b><u>9,047</u></b>	<b><u>3,250,598</u></b>	<b><u>12,499</u></b>	<b><u>3,272,144</u></b>
<b>At 30 June 2023</b>				
Cost	9,047	4,795,677	20,777	4,825,501
Accumulated amortisation	—	(1,424,568)	(8,278)	(1,432,846)
Accumulated impairment	—	(120,511)	—	(120,511)
Net book amount	<b><u>9,047</u></b>	<b><u>3,250,598</u></b>	<b><u>12,499</u></b>	<b><u>3,272,144</u></b>

- (a) Impairment tests for goodwill related to Taiyuan City Renewable Energy Heat Supply Company Limited (“**Taiyuan Renewable Energy**”), a subsidiary of the Company

During the six months ended 30 June 2023, there were no indicators for impairment of the goodwill resulting from a business combination of Taiyuan Renewable Energy, whose principal activity is to provide head supply and related services to an area in Taiyuan City under a concession arrangement with Taiyuan local government. Taiyuan Renewable Energy’s business is considered as a separate cash generating unit (“**CGU**”). During the period, no significant change in the key assumptions used on impairment calculation as at 31 December 2022 was considered necessary having considered both internal and external factors. Accordingly, management concluded that no impairment provision was required to be made as at 30 June 2023. For details, see note 17(b) of the Accountant’s Report included in Appendix I of the Prospectus.

- (b) Impairment tests for intangible assets related to Shuozhou City Renewable Energy Thermal Company Limited (“**Shuozhou Renewable Energy**”), a subsidiary of the Company

During the six months ended 30 June 2023, there were no indicators for impairment of intangible assets of Shuozhou Renewable Energy whose principal activity is to provide heat supply and related services to an area in Shuozhou City under a concession arrangement with Shuozhou local government. Shuozhou Renewable Energy’s business is considered as a separate CGU. During the period, no significant change in the key assumptions used on impairment calculation as at 31 December 2022 was considered necessary having considered both internal and external factors. Accordingly, management concluded that no impairment provision was required to be made as at 30 June 2023. For details of the key assumptions used, see note 17(c) of the Accountant’s Report included in Appendix I of the Prospectus.

- (c) Amortisation charge was expensed in the interim condensed consolidated statement of comprehensive income as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
	<b>(Unaudited)</b>	(Audited)
Cost of sales	<b>105,413</b>	94,401
Administrative expenses	<b>313</b>	338
	<b><u>105,726</u></b>	<u>94,739</u>

- (d) As at 30 June 2023 and 31 December 2022, intangible assets with carrying amount of approximately RMB751,481,000 and RMB771,097,000, respectively, were pledged as collateral for the bank and other borrowings of the Group.

## 11 TRADE RECEIVABLES

	As at <b>30 June</b> <b>2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2022 <i>RMB'000</i> <b>(Audited)</b>
<b>Included in current assets</b>		
Trade receivables (a)		
— Related parties	3,637	10,090
— Third parties	<u>532,422</u>	<u>515,490</u>
	<u>536,059</u>	<u>525,580</u>
Notes receivables	9,245	50
Lease receivables	16,424	21,346
Less: allowance for impairment of trade receivables and lease receivables	<u>(47,942)</u>	<u>(68,990)</u>
	<u><u>513,787</u></u>	<u><u>477,986</u></u>
<b>Included in non-current assets</b>		
Lease receivables	101,869	109,749
Less: allowance for impairment of lease receivables	<u>(21,591)</u>	<u>(21,591)</u>
	<u><u>80,278</u></u>	<u><u>88,158</u></u>
	<u><u>594,065</u></u>	<u><u>566,144</u></u>

- (a) The Group normally provides no credit period to its customers. The following is an aging analysis of trade receivables (excluding notes receivables and lease receivables) from the date of sales:

	As at <b>30 June</b> <b>2023</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	<b>462,449</b>	434,000
1 to 2 years	<b>42,826</b>	52,158
2 to 3 years	<b>14,571</b>	24,704
Over 3 years	<b>16,213</b>	14,718
	<b><u>536,059</u></b>	<b><u>525,580</u></b>

- (b) The Group's trade receivables are denominated in RMB.
- (c) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9 to assess the impairment of trade receivables and lease receivables.
- (d) As at 30 June 2023 and 31 December 2022, trade receivables with carrying amount of approximately RMB112,552,000 and RMB121,028,000, respectively, were pledged as collaterals for the bank borrowings of the Group.

## 12 TRADE AND OTHER PAYABLES

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
<b>Included in current liabilities</b>		
Trade payables — Third parties (a)	468,627	333,259
Notes payables	73,856	109,738
Amounts due to and advance from related parties	23,252	31,566
Payables for acquisition of intangible assets	229,053	299,269
Payables for acquisition of property, plant and equipment	4,392	4,217
Employee benefits payables	12,915	25,218
Other taxes payables	28,186	37,080
Interest payables	1,269	1,107
Employee reimbursement payables	9,133	2,465
Dividends payables to non-controlling interests	60,778	40,778
Loans from government	22,960	22,498
Refundable pipeline connection fee	2,941	2,941
Installment payable for acquisition of intangible assets	12,550	40,551
Others	23,499	25,590
	<u>973,411</u>	<u>976,277</u>

### **Included in non-current liabilities**

Other payables		
— A third party (installment payable for acquisition of intangible assets)	<u>6,866</u>	<u>7,386</u>
	<u>980,277</u>	<u>983,663</u>

- (a) The following is an aging analysis of trade payables presented based on the goods/services receipt dates:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	342,160	224,470
1 to 2 years	38,053	34,074
2 to 3 years	28,350	22,761
Over 3 years	60,064	51,954
	<u>468,627</u>	<u>333,259</u>

The Group's trade and other payables were denominated in RMB.

## OTHER INFORMATION

### USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company was successfully listed on the Main Board of the Stock Exchange on 10 July 2023. The net proceeds from the Global Offering, after deduction of the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering, amounted to approximately HK\$187.5 million. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. For the Reporting Period, the Group has not utilised the net proceeds.

Net proceeds from the Global Offering have been, and will be, utilised in accordance with the proportion of use allocation as set out in the section headed “Future Plan and Use of Proceeds” in the Prospectus.

The table below sets out the planned applications of the net proceeds and actual usage from the Listing Date up to 25 August 2023:

Major uses	Percentage of net proceeds	Planned allocation of Net Proceeds (HKD million)	Planned allocation of Net Proceeds <sup>(2)</sup> (RMB million)	Utilised amount (as at 25 August 2023) (RMB million)	Unutilised amount (as at 25 August 2023) (RMB million)	Expected timeline for utilising the unutilised net proceeds from the Global Offering <sup>(1)</sup>
Lanzhou Peak-shaving Boiler Construction	50.0%	93.7	85.3	5.7	79.6	On or before 31 December 2024 <sup>(3)</sup>
Xinmi Project Preparation and Expansion	40.0%	75.0	68.2	0	68.2	On or before 31 December 2024 <sup>(3)</sup>
The Group’s working capital and other general corporate purposes	10.0%	18.8	17.1	0	17.1	On or before 31 December 2024 <sup>(3)</sup>
Total	<u>100.0%</u>	<u>187.5</u>	<u>170.6</u>	<u>5.7</u>	<u>164.9</u>	

Notes:

- (1) The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the market conditions made by the Group.
- (2) Net proceeds from the Global Offering were received in Hong Kong dollars and translated to Renminbi for application planning.

- (3) The unutilised net proceeds will be used for their respective disclosed purposes and following the expected implementation timetable (as disclosed in the Prospectus). The Company will deposit the unutilised net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institution (as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) or the Commercial Banking Law of the PRC (中華人民共和國商業銀行法) and other relevant laws in the PRC).

## **INTERIM DIVIDEND**

No interim dividend was declared and paid by the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

## **CORPORATE GOVERNANCE**

The Company has adopted the CG Code as its own code of corporate governance. Continuous efforts are made to review and enhance its internal controls and procedures in light of changes in regulations and developments in best practices.

As the H Shares were listed on the Stock Exchange on 10 July 2023, the principles and code provisions of the CG Code were not applicable to the Company during the Reporting Period. From the Listing Date to the date of this announcement, in the opinion of Directors, the Company has complied with all the principles and code provisions as set out in the CG Code.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

Since the Listing Date, the Company has adopted a code of conduct regarding Directors' and supervisors' securities transactions on terms no less exacting than the Model Code.

Having made specific enquiries with all the Directors and supervisors, each of the Directors and supervisors confirmed that he/she has complied with the required standards as set out in the Model Code from the Listing Date to the date of this announcement. Meanwhile, the Company was not aware of any events of non-compliance with the Model Code by the relevant employees from the Listing Date to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date up to the date of this announcement.

## **AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL INFORMATION**

The Company has established the Audit Committee with the terms of reference in compliance with relevant laws and regulations of the PRC, Rule 3.21 of the Listing Rules and paragraph D.3.3 of part 2 of the CG Code. The Audit Committee consists of two independent non-executive Directors, namely Mr. Cheung Ho Kong (being the chairman of the Audit Committee), Dr. Zhu Qing and one non-executive Director, namely Mr. Miao Wenbin.

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 has been reviewed by the auditor of the Company, PricewaterhouseCoopers, in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023 and concluded that such interim results had been prepared in accordance with applicable accounting standards and relevant requirements, and that adequate disclosures have been made and have no disagreement with the accounting treatment adopted. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Company intends to utilise the net proceeds raised from the Global Offering according to the plans set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

Save as disclosed above, as at the date of this announcement, the Company did not have any future plans for material investments or additions of capital assets.

## **EVENTS AFTER THE REPORTING PERIOD**

The Company was listed on the Main Board of the Stock Exchange on 10 July 2023. In connection with the Global Offering, 75,600,000 new H Shares were issued and allotted at the offer price of HK\$3.60 per H Share.

Save as disclosed, there are no events causing material impact on the Group from the end of the Reporting Period to the date of this announcement.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2023 INTERIM REPORT**

This interim results announcement was published on the websites of the Company at <http://www.hjkj.cn> and the Stock Exchange at <https://www.hkexnews.hk>. The interim report of the Group for the six months ended 30 June 2023, which contains all the information required under the Listing Rules, will be despatched to the shareholders of the Company and available on the above websites in September 2023.

### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Audit Committee”	The audit committee of the Board
“Board”	The board of Directors of the Company
“CG Code”	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“China” or “PRC”	The People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“Company”	Wise Living Technology Co., Ltd (慧居科技股份有限公司), a joint stock limited liability company incorporated in the People’s Republic of China on 3 September 2010
“Concession Area”	The planned floor area to which we are entitled to charge for our provision of heat services under concession rights derived from our concession agreements, which is measured in terms of GFA
“Corresponding Period”	the six-month period from 1 January 2022 to 30 June 2022
“Director(s)”	The director(s) of the Company
“EMC”	Energy-conservation service contract

“Global Offering”	The Hong Kong public offering and the international offering
“Group”, “we”, “our” or “us”	the Company and its subsidiaries from time to time
“H Share(s)”	Ordinary share(s) in the share capital of the Company with nominal value of RMB1.00 each, which is/are subscribed for and traded in HK dollars and listed on the Stock Exchange
“heat service period”	the period during which the heat service providers provide heat services, usually between October of each year and April of the following year which can be longer or shorter depending on the location of the Concession Area and the temperature changes resulting from seasonality of each year
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$” or “HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Lanzhou New Area Project”	Lanzhou New Area Project (蘭州新區南部區域集中供熱項目)
“Listing Date”	Monday, 10 July 2023, being the date on which the H Shares were listed on the Stock Exchange and from which dealings in the H Shares are permitted to take place on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	The stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel to the GEM operated by the Stock Exchange
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

“Prospectus”	The prospectus of the Company dated 28 June 2023
“Reporting Period”	the six-month period from 1 January 2023 to 30 June 2023
“RMB” or “Renminbi”	Reminbi, the lawful currency of the PRC
“Share(s)”	Ordinary share(s) in the capital of the Company with nominal value of RMB1.00, comprising the domestic Share(s) and H Shares
“Shuozhou Project”	Shuozhou Municipal Cogeneration Centralised Heat Services Project (朔州市熱電聯產集中供熱項目)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xinmi Project”	Xinmi City Centralised Heat Services Project (新密市集中供熱項目)
“%”	Percent

*The English names of the PRC established companies or entities and the PRC laws and regulations mentioned herein are translation from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.*

By Order of the Board  
**Wise Living Technology Co., Ltd**  
**GENG Ming**  
*Chairman and Executive Director*

Hong Kong, 25 August 2023

*As at the date of this announcement, the Board comprises Mr. Geng Ming, Mr. Li Baoshan and Mr. Luo Wei as executive Directors, Mr. Miao Wenbin, Mr. Ma Fulin and Ms. Xu Lijie as non-executive Directors, and Mr. Cheung Ho Kong, Dr. Tse Hiu Tung, Sheldon and Dr. Zhu Qing as independent non-executive Directors.*