



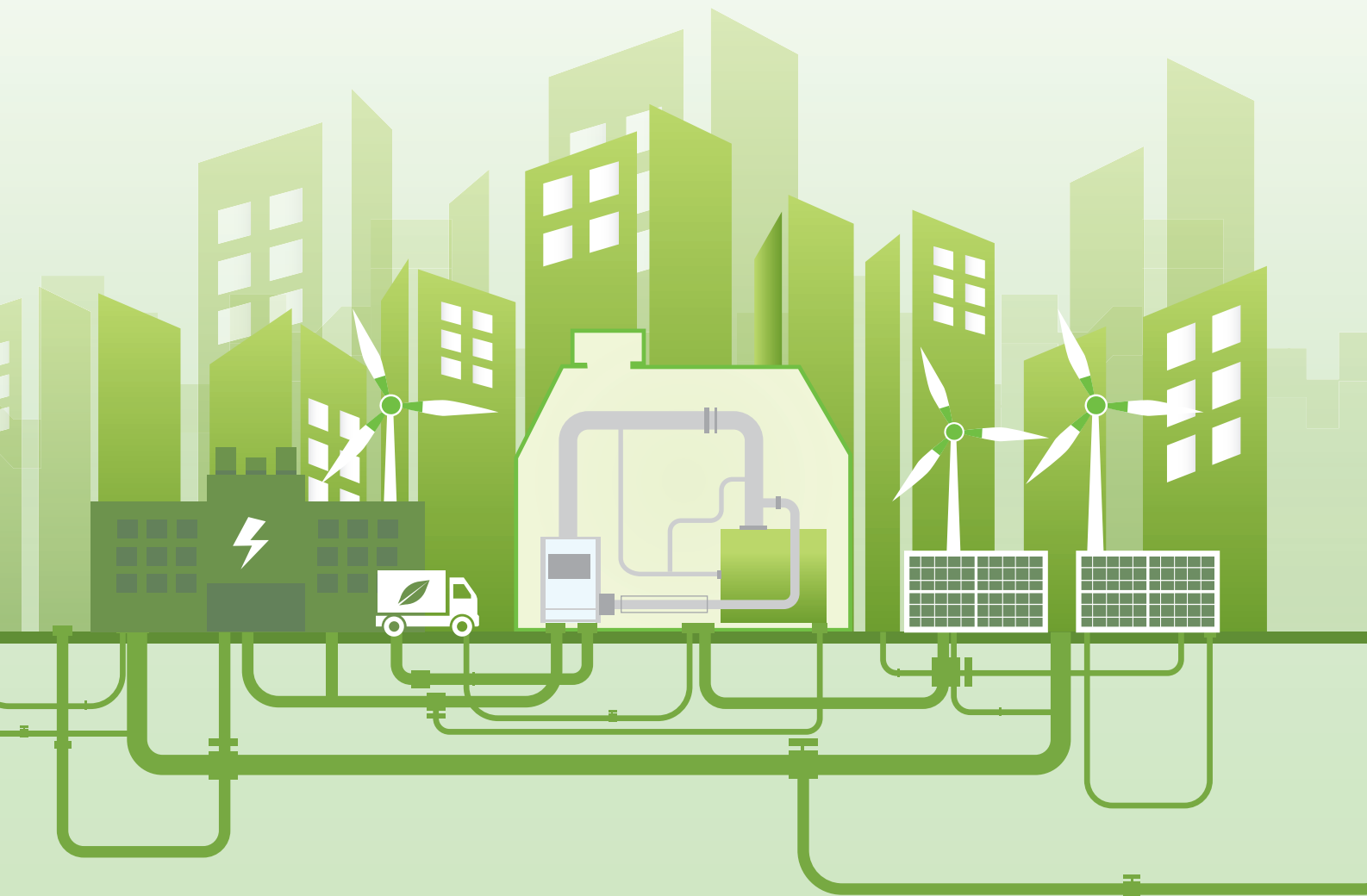
慧居科技

慧居科技股份有限公司 Wise Living Technology Co., Ltd

(於中華人民共和國註冊成立的股份有限公司)

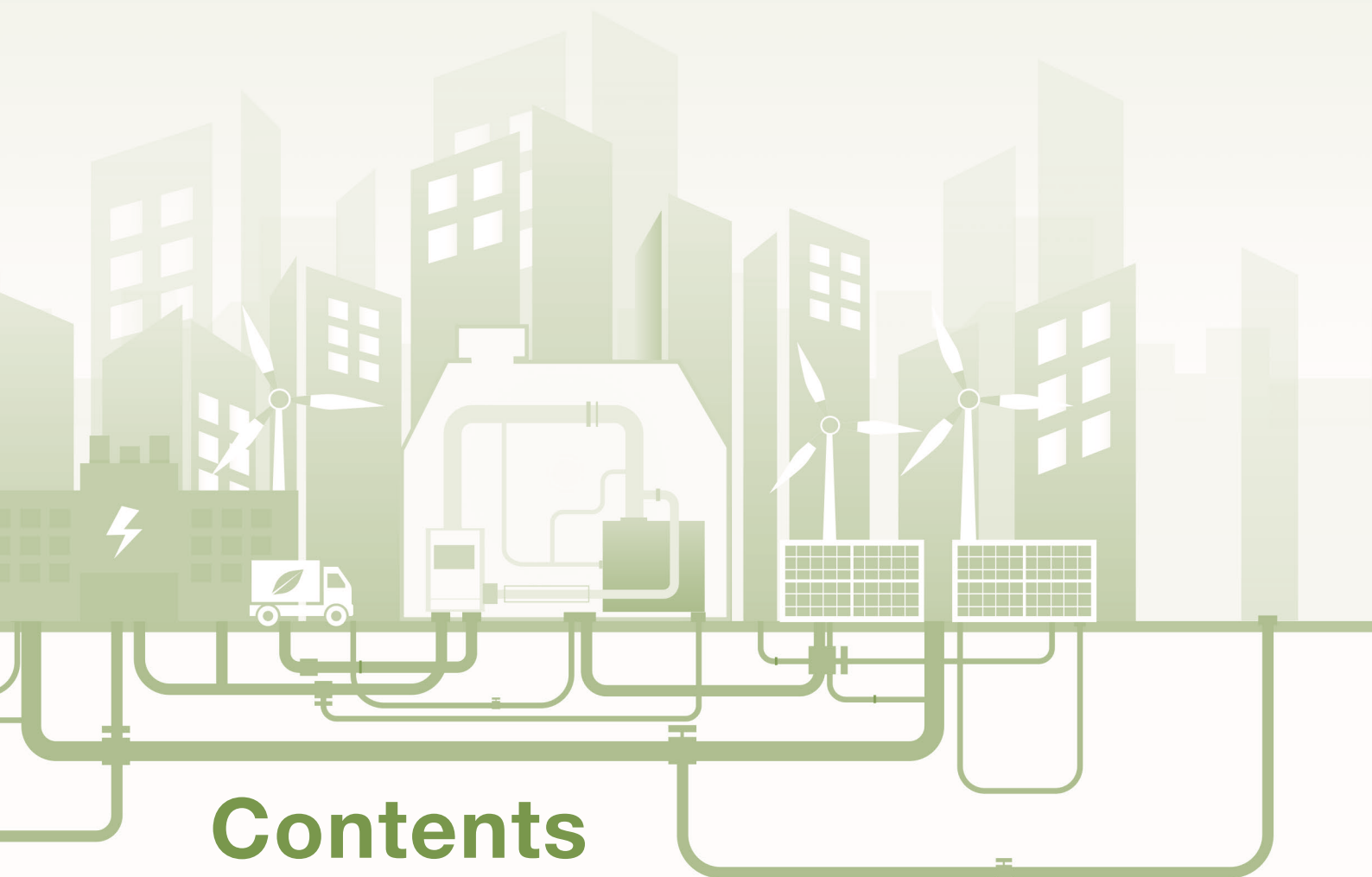
(A joint stock limited liability company incorporated in the People's Republic of China)

股份代號 Stock code : 2481



中期報告 2023

INTERIM REPORT



Contents

| | |
|---|----|
| Corporate Information | 2 |
| Financial Performance Highlights | 4 |
| Management Discussion and Analysis | 5 |
| Other Information | 15 |
| Interim Condensed Consolidated Statement of Comprehensive Income | 21 |
| Interim Condensed Consolidated Statement of Financial Position | 22 |
| Interim Condensed Consolidated Statement of Changes in Equity | 24 |
| Interim Condensed Consolidated Statement of Cash Flows | 25 |
| Notes to the Interim Condensed Consolidated Financial Statements | 26 |
| Definitions | 46 |

Corporate Information

EXECUTIVE DIRECTORS

Mr. Geng Ming (*Chairman*)
Mr. Li Baoshan
Mr. Luo Wei

NON-EXECUTIVE DIRECTORS

Mr. Miao Wenbin
Mr. Ma Fulin
Ms. Xu Lijie

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Tse Hiu Tung, Sheldon
Mr. Cheung Ho Kong
Dr. Zhu Qing

SUPERVISORY COMMITTEE

Mr. Ma Peilin (*Chairman*)
Mr. Chen Zhen
Mr. Liu Zhigang

AUDIT COMMITTEE

Mr. Cheung Ho Kong (*Chairman*)
Mr. Miao Wenbin
Dr. Zhu Qing

REMUNERATION COMMITTEE

Dr. Zhu Qing (*Chairman*)
Mr. Ma Fulin
Dr. Tse Hiu Tung, Sheldon

NOMINATION COMMITTEE

Mr. Geng Ming (*Chairman*)
Dr. Tse Hiu Tung, Sheldon
Dr. Zhu Qing

JOINT COMPANY SECRETARIES

Mr. Ma Ke
Mr. Tso Ping Cheong, Brian *FCPA, FCCA, FCG, HKFCG*

AUTHORISED REPRESENTATIVES

Mr. Geng Ming
Mr. Luo Wei

REGISTERED OFFICE AND HEADQUARTERS IN THE PRC

Room 202, 2/F
No. 15 Shuangliang Road
Ligang Street
Jiangyin City
Jiangsu Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 17/F, United Centre
95 Queensway
Admiralty
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
26th Floor to 28th Floor
Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law
Llinks Law Offices LLP
Room 3201, 32/F, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law
Llinks Law Offices
19F, One Lujiazui
68 Yin Cheng Road Middle
Shanghai
The PRC

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

H SHARE REGISTRAR

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

PRINCIPAL BANKS

Jiangsu Jiangyin Rural Commercial Bank Co., Ltd.
Ligang Sub-branch
No. 180, Lizhong Street, Ligang Town
Jiangyin City
Jiangsu Province
The PRC

China Construction Bank Corporation
Jiayin Lingang Xincheng Sub-branch
No. 151–161, Li'nan Street, Ligang Town
Jiangyin City
Jiangsu Province
The PRC

STOCK CODE

2481

COMPANY WEBSITE ADDRESS

<http://www.hjkj.cn>

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 approximately RMB79.3 million, representing a growth of 138.9% as compared with approximately 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.

Management Discussion and Analysis

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 Shuozhou 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 | |
| | RMB'000 | % | RMB'000 | % |
| Residential | 302,213 | 60.0 | 275,148 | 60.5 |
| Non-residential | 201,718 | 40.0 | 179,720 | 39.5 |
| Total | 503,931 | 100.0 | 454,868 | 100.0 |

B. Heat Sources

During the Reporting Period, our heat sources included (a) heat procured from third party, and (b) heat self-produced by our 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).

Management Discussion and Analysis

(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 |
| Total | 43,152 | 100.0 | 41,908 | 100.0 |

(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 approximately RMB1.5 million, representing a decrease of 25.0% from approximately 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 approximately RMB20.6 million, representing a decrease of 11.2% from approximately RMB23.2 million for the Corresponding Period. This was mainly due to the decrease in sale of heat service facilities during the Reporting Period.

Management Discussion and Analysis

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.

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

Management Discussion and Analysis

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 fees | 48,250 | 40,307 |
| Sub-total | 645,472 | 571,006 |
| 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 |
| Total | 710,818 | 638,155 |

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 fees, 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 fees, (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.

Management Discussion and Analysis

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 | |
| | RMB'000 (Unaudited) | % | RMB'000 (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 | 194,604 | 27.4 | 138,095 | 21.6 |

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.

Management Discussion and Analysis

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 our 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 our 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.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, we financed our operations with cash generated from operating activities and bank borrowings. As at 30 June 2023, we had cash and cash equivalents of approximately RMB206.1 million (31 December 2022: RMB378.1 million) and restricted cash balances of approximately RMB85.8 million (31 December 2022: RMB100.4 million). The cash and cash equivalents of our Group are all held in RMB. The restricted cash of our Group were deposits placed with the banks for the issuance of bank acceptance notes and as guarantee deposits of bank borrowings.

As at 30 June 2023, we had current assets of approximately RMB987.2 million (31 December 2022: RMB1,158.5 million) which comprised inventories, trade receivables, prepayments and other receivables, restricted cash and cash and cash equivalents. As at 30 June 2023, we had current liabilities amounted to approximately RMB1,434.4 million (31 December 2022: RMB1,710.3 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was around 0.7 times as at 30 June 2023 (31 December 2022: 0.7 times).

Management Discussion and Analysis

Gearing ratio

As at 30 June 2023, the gearing ratio, calculated by dividing total borrowings by total equity, was 0.9 (31 December 2022: 1.0).

Borrowings

During the Reporting Period, our borrowings primarily consisted of bank borrowings. As at 30 June 2023, the bank borrowings were approximately RMB882.9 million (31 December 2022: RMB881.2 million), of which approximately RMB267.0 million will be repayable within 1 year (31 December 2022: RMB246.8 million). Our borrowings were all denominated in RMB.

As at 30 June 2023, the bank borrowings of Hulunbuir Shuangliang Energy System Company Limited* (呼倫貝爾雙良能源系統有限公司) amounting to approximately RMB158.0 million (31 December 2022: RMB158.0 million) were guaranteed by our Company and secured by certain trade receivables. The bank borrowings of Lanzhou New Area Shuangliang Thermal Power Company Limited* (蘭州新區雙良熱力有限公司) amounting to approximately RMB104.3 million (31 December 2022: RMB174.6 million) was guaranteed by our Company and Gansu Shuangliang and secured by certain intangible assets. In addition, the bank borrowings of Shuozhou City Renewable Energy Thermal Company Limited* (朔州再生能源熱力有限公司) amounting to approximately RMB162.5 million (31 December 2022: RMB175.0 million) was guaranteed by Taiyuan City Renewable Energy Heat Supply Company Limited* (大原市再生能源供熱有限公司), our Company, Shuangliang Group Co. and Mr. Miao Wenbin and secured by price subsidy receivables and certain intangible assets. Furthermore, the bank borrowings of Wise Living Tech-Thermal Power (Zhengzhou) Company Limited* (慧居科技熱力(鄭州)有限公司) amounting to approximately RMB5.5 million (31 December 2022: RMB0.5 million) were guaranteed by our Company and secured by certain trade receivables.

As at 30 June 2023, bank borrowings amounting to approximately RMB203.2 million, RMB150.0 million and RMB30.0 million (31 December 2022: RMB203.1 million, RMB100.0 million and nil) were guaranteed by Shuangliang Group Co., Gansu Shuangliang and our Company, respectively.

As at 30 June 2023, the bank borrowings of our Company amounting to approximately RMB10.5 million (31 December 2022: RMB10.5 million) were secured by restricted cash of Zhengzhou Wise Living Thermal Power Company Limited* (鄭州慧居熱力有限公司) of approximately RMB11.1 million.

The weighted average effective interest rate of borrowings was 4.82% per annum as at 30 June 2023 (31 December 2022: 5.09% per annum). As at 30 June 2023, bank borrowings of our Group amounting to approximately RMB432.7 million were at fixed interest rates ranging from 4.36% to 5.30% per annum.

FOREIGN EXCHANGE EXPOSURE

The principal activities of our Group are operated in the PRC. The exposure to foreign exchange risk is insignificant given the business activities of our Group are all denominated in RMB. Currently, we do not implement any foreign currency hedging policy. We will closely monitor the exchange rate in the market and take appropriate countermeasures and policies when necessary.

CAPITAL COMMITMENTS

As at 30 June 2023, we had capital expenditures contracted for but not yet incurred of approximately RMB35.2 million as compared to approximately RMB58.0 million as at 31 December 2022. Our capital commitments were mainly related to intangible assets that we purchased for the construction of heat service facilities in order to expand our existing heat service project and prepare for a new heat service project.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSAL

There were no significant investments, acquisitions and disposals of subsidiaries, associates or joint ventures during the Reporting Period.

Management Discussion and Analysis

CHARGES ON ASSETS

As at 30 June 2023, intangible assets with carrying amount of approximately RMB751.5 million (31 December 2022: RMB771.1 million) were pledged as collateral for the bank borrowings of our Group.

As at 30 June 2023, trade receivables with carrying amount of approximately RMB112.6 million (31 December 2022: RMB121.0 million) were pledged as collateral for the bank borrowings of our Group.

CONTINGENT LIABILITIES

Our Group did not have any material contingent liabilities as at 30 June 2023.

TREASURY AND INVESTMENT POLICY

It is our treasury management policy to utilise surplus cash reserves to invest in financial products and generate income without interfering with our business operations or capital expenditures, in order to provide sustainable benefits for our Group. Mr. Luo Wei, one of our executive Directors, a deputy general manager of our Company and the Board secretary, and Mr. Yang Xiaojin, the chief financial officer of our Company, both possess the management expertise for the investment in financial products. To control the risks of our Group, we typically invest in low-risk and short-term financial products issued by banks in the PRC.

EMPLOYMENT, REMUNERATION POLICY AND TRAINING

As at 30 June 2023, our Group had 941 employees (31 December 2022: 887). For the Reporting Period, the total employee benefit expenses of our Group were approximately RMB44.8 million. The remuneration package of our employees includes basic salary, performance salary and allowances. We determine employee remuneration based on factors such as qualifications, expertise and years of relevant experience. We have complied with and will continuously comply with, PRC laws and regulations relating to social welfare. In accordance with applicable PRC regulations, our Group currently participates in social insurance contribution plan organised by the relevant local governments. No forfeited contribution was available and utilised by our Group to reduce its future contributions to the social insurance contribution plan for the Reporting Period. Our Group currently provides employees with a pension insurance programme, medical insurance programme, unemployment insurance programme, individual work injury programme, maternity insurance contributions and employee public housing reserve contributions and other welfare benefits.

Our Group highly values its employees and places emphasis on the development of its employees. In order to advance the skills and knowledge of its employees as well as to explore new potentials from its workforce, our Group has invested in continuing education and training programmes for its management and ordinary staff members to update their skills and knowledge periodically. Generally, our training focuses on matters relating to our operation, technical knowledge and work safety standards and environmental protection.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

Our Group's activities expose us to a variety of financial risks: market risk, credit risk and liquidity risk. Our Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance. Please refer to note 5 to the interim condensed consolidated financial statement included in this interim report for further details.



Management Discussion and Analysis

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 our 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. Our Group will also make development plans in acquiring projects to tap into other heat service markets.

EVENTS AFTER THE REPORTING PERIOD

Our 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 our Group from the end of the Reporting Period to the date of this interim report.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Our 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 interim report, our Company did not have any future plans for material investments or additions of capital assets.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the H Shares were not yet listed on the Stock Exchange and accordingly, the provisions of Divisions 7 and 8 of Part XV of the SFO were not applicable to our Company.

As at the date of this interim report, the interests and short positions of the Directors, supervisors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken, or are deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to our Company and the Stock Exchange were as follows:

| Name of Director/ supervisor/ chief executive | Position | Class of Shares | Nature of interest | Number of Shares ⁽¹⁾ | Approximate percentage of shareholding in our Company ⁽²⁾ | Approximate percentage of shareholding in the relevant class of Shares of our Company ⁽³⁾ |
|---|------------------------------------|-----------------|--------------------|------------------------------------|---|---|
| Mr. Geng Ming | Chairman and executive Director | Domestic Shares | Beneficial Owner | 2,000,000 | 0.66% | 0.88% |
| Mr. Li Baoshan | Executive Director | Domestic Shares | Beneficial Owner | 6,000,000 | 1.99% | 2.65% |
| Mr. Miao Wenbin ⁽⁴⁾ | Non-executive Director | Domestic Shares | Other interests | 201,000,000 | 66.66% | 88.94% |
| Mr. Ma Fulin ⁽⁴⁾ | Non-executive Director | Domestic Shares | Other interests | 201,000,000 | 66.66% | 88.94% |
| Mr. Ma Peilin ⁽⁴⁾ | Supervisor | Domestic Shares | Other interests | 201,000,000 | 66.66% | 88.94% |
| Mr. Chen Zhen ⁽⁵⁾ | Supervisor | Domestic Shares | Interest of spouse | 201,000,000 | 66.66% | 88.94% |

Notes:

- All interests stated are long position.
- This is based on the total Shares (including Domestic Shares and H Shares) in issue as at the date of this interim report, being 301,600,000.
- This is based on the total Domestic Shares in issue as at the date of this interim report, being 226,000,000.
- Shuangliang Technology and Jiangsu Lichang hold 150,000,000 and 51,000,000 Domestic Shares respectively. The non-executive Directors, namely Mr. Miao Wenbin and Mr. Ma Fulin, and the supervisor of our Company, namely Mr. Ma Peilin, together with other five individuals, namely, Mr. Miao Shuangda, Mr. Miao Zhiqiang, Ms. Miao Shuya, Mr. Miao Heida and Mr. Jiang Rongfang (the "Individual Shareholders"), are the respective legal and beneficial owners of the entire issued share capital of Shuangliang Technology and Jiangsu Lichuang. Shuangliang Technology and Jiangsu Lichuang and the Individual Shareholders are considered as a group of the Controlling Shareholders of our Company as the Individual Shareholders have decided to restrict their abilities to exercise direct control over our Company by holding their equity interests through Shuangliang Technology and Jiangsu Lichuang. The Individual Shareholders in turn indirectly and jointly hold 201,000,000 Domestic Shares through Shuangliang Technology and Jiangsu Lichuang. Shuangliang Technology, Jiangsu Lichuang and the Individual Shareholders collectively are deemed to be interested in 66.66% of the equity interest in our Company.

Other information

5. Mr. Chen Zhen is the spouse of Ms. Miao Shuya, and Mr. Chen Zhen is thus deemed to be interested in the Domestic Shares held by Ms. Miao Shuya.

Save as disclosed above, as at the date of this Interim Report, none of the Directors, supervisors, chief executive of our Company and/or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or are deemed to have taken under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code, to be notified to our Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures of the Company or any of its Associated Corporations" of this interim report, no rights to acquire benefits by means of the acquisition of Shares in or debentures of our Company were granted to any Director or their respective spouse or children under 18 years of age, or were such rights exercised by them; or was our Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate from the Listing Date to the date of this interim report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, the H Shares were not yet listed on the Stock Exchange and accordingly, the provisions of Divisions 2 and 3 of Part XV of the SFO were not applicable to our Company.

As at the date of this interim report, according to the register kept by our Company under Section 336 of SFO and so far as were known to the Directors, the following persons (otherwise than in the capacity of the Director, supervisor or chief executive of our Company) who had interests or short positions in the Shares or the underlying Shares of our Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

| Name of Shareholder | Class of Shares | Nature of Interest | Number of Shares ⁽¹⁾ | Approximate percentage of interest in our Company ⁽²⁾ | Approximate percentage of shareholding in the relevant class of Shares of our Company ⁽³⁾ |
|---|-----------------|--------------------------------------|---------------------------------|--|--|
| Shuangliang Technology ⁽⁴⁾ | Domestic Shares | Beneficial owner | 150,000,000 | 49.75% | 66.37% |
| Jiangsu Lichuang ⁽⁴⁾ | Domestic Shares | Beneficial owner | 51,000,000 | 16.91% | 22.57% |
| Xingyi Investment Management (Hong Kong) Limited ⁽⁵⁾ | H Shares | Beneficial owner | 15,660,000 | 5.19% | 20.71% |
| Ms. Zhou Xiaoping ⁽⁵⁾ | H Shares | Interest in a controlled corporation | 15,660,000 | 5.19% | 20.71% |

Other information

| Name of Shareholder | Class of Shares | Nature of Interest | Number of Shares ⁽¹⁾ | Approximate percentage of shareholding interest in our Company ⁽²⁾ | Approximate percentage of shareholding in the relevant class of Shares of our Company ⁽³⁾ |
|--|-----------------|--------------------------------------|---------------------------------|---|--|
| Jiang Gang International Investment Company Limited ⁽⁶⁾ | H Shares | Beneficial owner | 14,823,000 | 4.91% | 19.61% |
| Jiangyin State-owned Capital Holding Group Financial Investment Company Limited* (江陰國有資本控股集團金融投資有限公司) ⁽⁶⁾ | H Shares | Interest in a controlled corporation | 14,823,000 | 4.91% | 19.61% |
| Jiangyin State-owned Capital Holding (Group) Company Limited* (江陰國有資本控股(集團)有限公司) ⁽⁶⁾ | H Shares | Interest in a controlled corporation | 14,823,000 | 4.91% | 19.61% |
| Ms. Chen Yang ⁽⁷⁾ | Domestic Shares | Interest of spouse | 201,000,000 | 66.66% | 88.94% |
| Ms. Miao Minhua ⁽⁸⁾ | Domestic Shares | Interest of spouse | 201,000,000 | 66.66% | 88.94% |
| Ms. Li Dongju ⁽⁹⁾ | Domestic Shares | Interest of spouse | 201,000,000 | 66.66% | 88.94% |
| Mr. Miao Shuangda ⁽¹⁰⁾ | Domestic Shares | Other interest | 201,000,000 | 66.66% | 88.94% |
| Ms. Zhu Duomei ⁽¹¹⁾ | Domestic Shares | Interest of spouse | 201,000,000 | 66.66% | 88.94% |
| Mr. Miao Zhiqiang ⁽¹⁰⁾ | Domestic Shares | Other interest | 201,000,000 | 66.66% | 88.94% |
| Ms. Lu Hongxia ⁽¹²⁾ | Domestic Shares | Interest of spouse | 201,000,000 | 66.66% | 88.94% |
| Ms. Miao Shuya ⁽¹⁰⁾ | Domestic Shares | Other interest | 201,000,000 | 66.66% | 88.94% |
| Mr. Miao Heida ⁽¹⁰⁾ | Domestic Shares | Other interest | 201,000,000 | 66.66% | 88.94% |
| Ms. Zhu Meifeng ⁽¹³⁾ | Domestic Shares | Interest of spouse | 201,000,000 | 66.66% | 88.94% |
| Mr. Jiang Rongfang ⁽¹⁰⁾ | Domestic Shares | Other interest | 201,000,000 | 66.66% | 88.94% |
| Ms. Chen Rongxiu ⁽¹⁴⁾ | Domestic Shares | Interest of spouse | 201,000,000 | 66.66% | 88.94% |

Notes:

- All interests stated are long position.
- This is based on the total Shares (including Domestic Shares and H Shares) in issue as at the date of this interim report, being 301,600,000.

Other information

3. This is based on the total Domestic Shares and H Shares in issue as at the date of this interim report, being 226,000,000 and 75,600,000 respectively.
4. The registered capital of Shuangliang Technology and Jiangsu Lichuang are held as to 20% by Mr. Miao Shuangda, 15% by Mr. Miao Wenbin, 10% by Mr. Miao Zhiqiang, 10% by Ms. Miao Shuya, 10% by Mr. Miao Heida, 15% by Mr. Jiang Rongfang, 10% by Mr. Ma Fulin and 10% by Mr. Ma Peilin, respectively. The Individual Shareholders are the respective legal and beneficial owners of the entire issued share capital of Shuangliang Technology and Jiangsu Lichuang. Shuangliang Technology and Jiangsu Lichuang and the Individual Shareholders are considered as a group of the Controlling Shareholders of our Company as the Individual Shareholders have decided to restrict their abilities to exercise direct control over our Company by holding their equity interests through Shuangliang Technology and Jiangsu Lichuang. Shuangliang Technology is thus deemed to be interested in the 51,000,000 Domestic Shares held by Jiangsu Lichuang and Jiangsu Lichuang is thus deemed to be interested in the 150,000,000 Domestic Shares held by Shuangliang Technology. Shuangliang Technology, Jiangsu Lichuang and the Individual Shareholders collectively are deemed to be interested in 66.66% of the equity interest in our Company.
5. Xingyi Investment Management (Hong Kong) Limited is wholly-owned by Ms. Zhou Xiaoping, and Ms. Zhou Xiaoping is thus deemed to be interested in the H Shares held by Xingyi Investment Management (Hong Kong) Limited.
6. Jiang Gang International Investment Company Limited is wholly-owned by Jiangyin State-owned Capital Holding Group Financial Investment Company Limited* (江陰國有資本控股集團金融投資有限公司) which in turn is wholly-owned by Jiangyin State-owned Capital Holding (Group) Company Limited* (江陰國有資本控股(集團)有限公司). Jiangyin State-owned Capital Holding Group Financial Investment Company Limited* (江陰國有資本控股集團金融投資有限公司) and Jiangyin State-owned Capital Holding (Group) Company Limited* (江陰國有資本控股(集團)有限公司) are thus deemed to be interested in the H Shares held by Jiang Gang International Investment Company Limited.
7. Ms. Chen Yang is the spouse of Mr. Miao Wenbin, and Ms. Chen Yang is thus deemed to be interested in the Domestic Shares held by Mr. Miao Wenbin.
8. Ms. Miao Minhua is the spouse of Mr. Ma Fulin, and Ms. Miao Minhua is thus deemed to be interested in the Domestic Shares held by Mr. Ma Fulin.
9. Ms. Li Dongju is the spouse of Mr. Ma Peilin, and Ms. Li Dongju is thus deemed to be interested in the Domestic Shares held by Mr. Ma Peilin.
10. Shuangliang Technology and Jiangsu Lichang hold 150,000,000 and 51,000,000 Domestic Shares respectively. The Individual Shareholders are the respective legal and beneficial owners of the entire issued share capital of Shuangliang Technology and Jiangsu Lichuang. Shuangliang Technology and Jiangsu Lichuang and the Individual Shareholders are considered as a group of the Controlling Shareholders of our Company as the Individual Shareholders have decided to restrict their abilities to exercise direct control over our Company by holding their equity interests through Shuangliang Technology and Jiangsu Lichuang. The Individual Shareholders in turn indirectly and jointly hold 201,000,000 Domestic Shares through Shuangliang Technology and Jiangsu Lichuang.
11. Ms. Zhu Duomei is the spouse of Mr. Miao Shuangda, and Ms. Zhu Duomei is thus deemed to be interested in the Domestic Shares held by Mr. Miao Shuangda.
12. Ms. Lu Hongxia is the spouse of Mr. Miao Zhiqiang, and Ms. Lu Hongxia is thus deemed to be interested in the Domestic Shares held by Mr. Miao Zhiqiang.
13. Ms. Zhu Meifeng is the spouse of Mr. Miao Heida, and Ms. Zhu Meifeng is thus deemed to be interested in the Domestic Shares held by Mr. Miao Heida.
14. Ms. Chen Rongxiu is the spouse of Mr. Jiang Rongfang, and Ms. Chen Rongxiu is thus deemed to be interested in the Domestic Shares held by Mr. Jiang Rongfang.

Save as disclosed above, as at the date of this interim report, according to the register kept by our Company under Section 336 of the SFO and so far as were known to the Directors, there was no other person (otherwise than in the capacity of the Director, supervisor or chief executive of our Company) who had interests or short positions in the Shares or the underlying Shares of our Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

Our 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 our Company during the Reporting Period. From the Listing Date to the date of this interim report, in the opinion of the Directors, our 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, our 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 interim report. Meanwhile, our 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 interim report.

DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities in relation to the preparation of financial statements and accounts of our Group and on ensuring that the financial statements of our Group are prepared in accordance with the relevant regulations and applicable accounting standards and that the financial statements of our Company are published in a timely manner.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There have been no changes in the information of Directors, supervisors and members of senior management since the publication of the Prospectus, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

Our 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 our Group for the six months ended 30 June 2023 has been reviewed by the auditor of our 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 our 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 our Company and internal control with senior management members of our Company.

Other information

USE OF NET PROCEEDS FROM GLOBAL OFFERING

Our 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 our 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, our 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 ⁽²⁾ (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 ⁽¹⁾ |
|--|----------------------------|--|---|--|--|---|
| Lanzhou Peak-shaving Boiler Construction | 50.0% | 93.7 | 85.3 | 5.7 | 79.6 | On or before 31 December 2024 ⁽³⁾ |
| Xinmi Project Preparation and Expansion | 40.0% | 75.0 | 68.2 | 0 | 68.2 | On or before 31 December 2024 ⁽³⁾ |
| 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 ⁽³⁾ |
| Total | 100.0% | 187.5 | 170.6 | 5.7 | 164.9 | |

Notes:

- (1) The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the market conditions made by our 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). Our 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).

MATERIAL LITIGATION

As at 30 June 2023, our Company was not involved in any litigation, arbitration, administrative proceedings of material importance which could have a material adverse effect on its financial condition or results of operations, and, so far as our Company is aware, no litigation, arbitration, administrative proceedings of material importance is pending or threatened against our Company.

Interim Condensed Consolidated Statement of Comprehensive Income

For the Six Months Ended 30 June 2023

| | Note | Six months ended 30 June | |
|---|------|--------------------------------|------------------------------|
| | | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Audited) |
| Revenue | 7 | 710,818 | 638,155 |
| Cost of sales | 8 | (516,214) | (500,060) |
| Gross profit | | 194,604 | 138,095 |
| Administrative expenses | 8 | (70,063) | (58,987) |
| Reversal/(provision) of impairment losses on financial assets and contract assets | | 21,140 | (4,042) |
| Other income | 9 | 17,131 | 32,934 |
| Other losses — net | 10 | (1,690) | (626) |
| Operating profit | | 161,122 | 107,374 |
| Finance income | 11 | 9,686 | 12,652 |
| Finance costs | 11 | (25,310) | (51,202) |
| Finance costs — net | 11 | (15,624) | (38,550) |
| Share of profit of associates accounted for using the equity method | 15 | 2,935 | 337 |
| Profit before income tax | | 148,433 | 69,161 |
| Income tax expenses | 12 | (35,096) | (19,268) |
| Profit and total comprehensive income for the period | | 113,337 | 49,893 |
| Profit and total comprehensive income attributable to: | | | |
| — Owners of the Company | | 79,272 | 33,166 |
| — Non-controlling interests | | 34,065 | 16,727 |
| | | 113,337 | 49,893 |
| Earnings per share for profit attributable to owners of the Company (expressed in RMB per share) | | | |
| — Basic and diluted | 13 | 0.35 | 0.15 |

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

The accompanying notes on pages 26 to 45 form an integral part of this interim financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2023

| | Note | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|---|------|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16 | 177,931 | 155,929 |
| Investment properties | 17 | 288,950 | 267,200 |
| Right-of-use assets | | 26,772 | 28,381 |
| Intangible assets | 18 | 3,272,144 | 3,340,965 |
| Investments accounted for using the equity method | 15 | 97,876 | 94,966 |
| Trade receivables | 19 | 80,278 | 88,158 |
| Prepayments and other receivables | | 47,712 | 41,865 |
| Contract assets | | — | 14,610 |
| Deferred income tax assets | | 59,872 | 53,674 |
| | | 4,051,535 | 4,085,748 |
| Current assets | | | |
| Inventories | | 29,838 | 48,926 |
| Trade receivables | 19 | 513,787 | 477,986 |
| Prepayments and other receivables | | 151,586 | 153,127 |
| Restricted cash | 20 | 85,829 | 100,374 |
| Cash and cash equivalents | 20 | 206,145 | 378,068 |
| | | 987,185 | 1,158,481 |
| Total assets | | 5,038,720 | 5,244,229 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 21 | 226,000 | 226,000 |
| Other reserves | | 200,089 | 200,114 |
| Retained earnings | | 380,275 | 301,003 |
| | | 806,364 | 727,117 |
| Non-controlling interests | | 199,510 | 195,445 |
| Total equity | | 1,005,874 | 922,562 |

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2023

| | Note | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
|-------------------------------------|------|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | 22 | 615,893 | 634,464 |
| Other payables | 23 | 6,866 | 7,386 |
| Contract liabilities | 7(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 | 24 | 28,430 | 25,593 |
| | | 2,598,397 | 2,611,364 |
| Current liabilities | | | |
| Borrowings | 22 | 266,993 | 246,750 |
| Trade and other payables | 23 | 973,411 | 976,277 |
| Contract liabilities | 7(b) | 145,173 | 440,546 |
| Lease liabilities | | 1,747 | 1,005 |
| Current income tax liabilities | | 47,125 | 45,725 |
| | | 1,434,449 | 1,710,303 |
| Total liabilities | | 4,032,846 | 4,321,667 |
| Total equity and liabilities | | 5,038,720 | 5,244,229 |

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

The accompanying notes on pages 26 to 45 form an integral part of this interim financial information.

The financial statements on pages 21 to 45 were approved and authorized for issue by the Board of Directors and were signed on its behalf.

Geng Ming
Director

Luo Wei
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended 30 June 2023

| | | Attributable to owners of the Company | | | | Non- | Total |
|---|----|---------------------------------------|----------|----------|---------|-------------|-----------|
| | | Share | Other | Retained | Total | controlling | equity |
| | | capital | reserves | earnings | | interests | |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2022 | | 226,000 | 186,008 | 218,791 | 630,799 | 151,597 | 782,396 |
| Comprehensive Income | | | | | | | |
| Profit for the period | | — | — | 33,166 | 33,166 | 16,727 | 49,893 |
| Total comprehensive income for the period ended 30 June 2022 | | — | — | 33,166 | 33,166 | 16,727 | 49,893 |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Deregistration of subsidiaries | | — | (13) | — | (13) | — | (13) |
| Others | 15 | — | (2) | — | (2) | (1) | (3) |
| Total transactions with owners | | — | (15) | — | (15) | (1) | (16) |
| Balance at 30 June 2022 (Audited) | | 226,000 | 185,993 | 251,957 | 663,950 | 168,323 | 832,273 |
| | | Attributable to owners of the Company | | | | Non- | Total |
| | | Share | Other | Retained | Total | controlling | equity |
| | | capital | reserves | earnings | | interests | |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Balance at 1 January 2023 | | 226,000 | 200,114 | 301,003 | 727,117 | 195,445 | 922,562 |
| Comprehensive Income | | | | | | | |
| Profit for the period | | — | — | 79,272 | 79,272 | 34,065 | 113,337 |
| Total comprehensive income for the period ended 30 June 2023 | | — | — | 79,272 | 79,272 | 34,065 | 113,337 |
| Transactions with owners in their capacity as owners: | | | | | | | |
| Dividends | | — | — | — | — | (30,000) | (30,000) |
| Others | 15 | — | (25) | — | (25) | — | (25) |
| Total transactions with owners | | — | (25) | — | (25) | (30,000) | (30,025) |
| Balance at 30 June 2023 (Unaudited) | | 226,000 | 200,089 | 380,275 | 806,364 | 199,510 | 1,005,874 |

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

For the Six Months Ended 30 June 2023

| | Note | Six months ended 30 June | |
|--|------|--------------------------------|------------------------------|
| | | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Audited) |
| Cash flows from operating activities | | | |
| Cash generated from operations | | 67,146 | 135,219 |
| Income tax paid | | (40,280) | (40,213) |
| Net cash generated from operating activities | | 26,866 | 95,006 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | | (16,259) | (1,630) |
| Disposal of property, plant and equipment | | 24 | 620 |
| Proceeds from finance lease of plant and equipment to a related party | | 4,197 | — |
| Purchases of intangible assets | | (141,166) | (257,694) |
| Disposal of intangible assets | | — | 15,552 |
| Increase in restricted cash for deposit of capital expenditure | | — | 38,826 |
| Dividends received from associates | 15 | — | 3,200 |
| Proceeds from financing arrangements with a third party (including repayments of principal and interest) | | 22,255 | 13,704 |
| Purchase of financial assets at fair value through profit or loss | 5.3 | — | (10,000) |
| Disposal of financial assets at fair value through profit or loss | 5.3 | — | 27,284 |
| Loans repaid by a related party | | — | 40,000 |
| Interest received from a related party | | — | 498 |
| Government grants received in relation to purchase of intangible assets | | — | 9,000 |
| Interest received on bank deposits | | 1,951 | 962 |
| Net cash used in investing activities | | (128,998) | (119,678) |
| Cash flows from financing activities | | | |
| Payments for listing expenses | | (8,477) | (11,409) |
| Proceeds from borrowings | | 219,946 | 835,000 |
| Repayment of borrowings | | (218,274) | (660,091) |
| Increase in restricted cash | | — | (60,000) |
| Payments for lease liabilities | | (505) | (634) |
| Installment payment for acquisition of intangible assets | | (28,521) | (9,122) |
| Dividends paid to non-controlling shareholder | | (10,000) | — |
| Interest paid on lease liabilities | | (630) | (712) |
| Interest paid on installment payable for acquisition of intangible assets | | (758) | (1,802) |
| Interest paid on borrowings | | (22,572) | (32,794) |
| Net cash (used in)/generated from financing activities | | (69,791) | 58,436 |
| Net (decrease)/increase in cash and cash equivalents | | (171,923) | 33,764 |
| Cash and cash equivalents at the beginning of the period | | 378,068 | 136,185 |
| Cash and cash equivalents at end of the period | 20 | 206,145 | 169,949 |

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

Wise Living Technology Co., Ltd (the “**Company**”) was established in the People’s Republic of China (the “**PRC**”) on 3 September 2010. The address of its registered office is Room 202, 2/F, No.15 of Shuangliang Road, Ligang Street, Jiangyin City, Jiangsu Province, the PRC.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the heat supply (including provision and distribution of heat and pipeline connection services), engineering construction services, design services and energy management services in the PRC. The Company’s H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**the Stock Exchange**”) on 10 July 2023.

The Company is controlled by Jiangsu Shuangliang Technology Company Limited (江蘇雙良科技有限公司) (“**Shuangliang Technology**”) and Jiangsu Lichuang New Energy Company Limited (江蘇利創新能源有限公司) (“**Jiangsu Lichuang**”), both of which are held by Mr. Miao Shuangda (繆雙大), Mr. Miao Wenbin (繆文彬), Mr. Jiang Rongfang (江榮方), Mr. Ma Peilin (馬培林), Mr. Ma Fulin (馬福林), Mr. Miao Zhiqiang (繆志強), Mr. Miao Heida (繆黑大) and Ms. Miao Shuya (繆舒涯), the individual shareholders of the holding companies.

This interim financial information for the six months ended 30 June 2023 (“**Interim Financial Information**”) is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000), unless otherwise stated, and was approved by the Board of directors of the Company (the “**Board**”) for issue on 25 August 2023.

This Interim Financial Information has not been audited.

2 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.

Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PRESENTATION *(Continued)*

Management closely monitors the Group's financial performance and liquidity position. The cash inflow generated from the Group's operating activities amounted to RMB26,866,000 for the six months 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.

3 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 12) and 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.

Notes to the Interim Condensed Consolidated Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements in the accountant's report included in Appendix I to the Prospectus.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the accountant's report included in Appendix I to the Prospectus.

Notes to the Interim Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT *(Continued)*

5.1 Financial risk factors *(Continued)*

There have been no significant changes in the risk factors and management policies since the year ended 31 December 2022.

5.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. The Group expects to fund the future cash flow needs through internally generated cash flows from operations and available banking facilities.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the reporting date to the earliest date the lenders can demand for repayment. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Repayable on demand or less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|--|--|--|--|-------------------------------------|--------------------------|
| As at 30 June 2023 (Unaudited) | | | | | |
| Lease liabilities | 2,884 | 3,368 | 9,724 | 8,330 | 24,306 |
| Borrowings | 305,815 | 157,651 | 385,967 | 162,347 | 1,011,780 |
| Trade and other payables (excluding non-financial liabilities) | 923,685 | 1,475 | 4,425 | 2,212 | 931,797 |
| Total | 1,232,384 | 162,494 | 400,116 | 172,889 | 1,967,883 |

Notes to the Interim Condensed Consolidated Financial Statements

5 FINANCIAL RISK MANAGEMENT (Continued)

5.2 Liquidity risk (Continued)

| | Repayable on demand or less than 1 year <i>RMB'000</i> | Between 1 and 2 years <i>RMB'000</i> | Between 2 and 5 years <i>RMB'000</i> | Over 5 years <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|--|---|---|-----------------------------------|-------------------------|
| As at 31 December 2022 (Audited) | | | | | |
| Lease liabilities | 2,212 | 3,358 | 9,777 | 9,895 | 25,242 |
| Borrowings | 283,829 | 82,573 | 468,003 | 193,182 | 1,027,587 |
| Trade and other payables (excluding non-financial liabilities) | 912,562 | 1,475 | 4,425 | 2,950 | 921,412 |
| Total | 1,198,603 | 87,406 | 482,205 | 206,027 | 1,974,241 |

5.3 Fair value estimation

The following table presents the changes in fair value of financial assets at fair value through profit or loss in relation to wealth management products, which were classified as level 3 instruments, for the six months ended 30 June 2022:

| | Six months ended 30 June | |
|--|---------------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Audited) |
| Opening balance | — | 17,139 |
| Additions | — | 10,000 |
| Gains recognised in profit or loss | — | 145 |
| Disposals | — | (27,284) |
| Closing balance | — | — |
| Net unrealised gains/losses for the period | — | — |

6 SEASONAL OR CYCLICAL OPERATIONS

The heat service period of the Company usually begins from October of each year to April of the following year. Revenues and operating profits are more evenly spread in the first and fourth quarters of the financial year. For the year ended 31 December 2022, 52% of provision and distribution of heat revenues accumulated in the first half of the year, with the remaining 48% accumulated in the second half of the year.

Notes to the Interim Condensed Consolidated Financial Statements

7 REVENUE AND SEGMENT INFORMATION

(a) Revenue from contract with customers

| | Six months ended 30 June | |
|---|--------------------------------|------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (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.

Notes to the Interim Condensed Consolidated Financial Statements

8 EXPENSES BY NATURE

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

| | Six months ended 30 June | |
|---|---------------------------------|-----------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Costs for purchases of heat | 214,111 | 218,424 |
| Amortisation of intangible assets (Note 18) | 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 (Note 16) | 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 |
| | <hr/> | <hr/> |
| Total | 586,277 | 559,047 |
| | <hr/> | <hr/> |

9 OTHER INCOME

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

(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 are determined by the local government on an incidental basis. There are no unfulfilled conditions or other contingencies attaching to these government grants.

Notes to the Interim Condensed Consolidated Financial Statements

10 OTHER LOSSES – NET

| | Six months ended 30 June | |
|--|--------------------------------|------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Audited) |
| Fair value losses of investment properties (Note 17) | (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 |
| | (1,690) | (626) |

11 FINANCE INCOME AND COSTS

| | Six months ended 30 June | |
|---|--------------------------------|------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Audited) |
| Finance income: | | |
| Interest income derived from bank deposits | 1,951 | 962 |
| Interest income from financing arrangements | 2,315 | 4,715 |
| Interest income from finance lease to a related party | 615 | 684 |
| Interest income from lease receivables | 4,805 | 5,867 |
| Interest income from loans to a related party | – | 424 |
| | 9,686 | 12,652 |
| Finance costs: | | |
| Interest expenses on borrowings | (22,734) | (32,810) |
| Interest expenses on lease liabilities | (630) | (712) |
| Interest expenses on installment payable for acquisition of intangible assets | (758) | (1,802) |
| Interest expenses on loans from government | (462) | (668) |
| Unwinding of provision | (726) | (566) |
| Loss from modification of lease receivables | – | (14,644) |
| | (25,310) | (51,202) |
| Finance costs – net | (15,624) | (38,550) |

Notes to the Interim Condensed Consolidated Financial Statements

12 INCOME TAX EXPENSES

| | Six months ended 30 June | |
|----------------------------|--------------------------------|------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Audited) |
| Current income tax | | |
| – PRC corporate income tax | 38,339 | 33,418 |
| Deferred income tax | (3,243) | (14,150) |
| | 35,096 | 19,268 |

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 the use of previously unrecognised carried forward tax losses.

13 EARNINGS PER SHARE

(a) Basic

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

(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.

14 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).

Notes to the Interim Condensed Consolidated Financial Statements

15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amount of equity-accounted investments has changed as follows in the six months to June 2023:

| | Six months ended 30 June | |
|-----------------------------------|--------------------------------|------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Audited) |
| Opening balance | 94,966 | 84,824 |
| Dividends | — | (3,200) |
| Share of net profit | 2,935 | 337 |
| Share of other comprehensive loss | (25) | (3) |
| Closing balance | 97,876 | 81,958 |

16 PROPERTY, PLANT AND EQUIPMENT

| | Buildings RMB'000 | Machinery and equipment RMB'000 | Transportation equipment RMB'000 | Office and electronic equipment RMB'000 | Leasehold improvements RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|--|----------------------|---------------------------------------|--|--|--------------------------------------|--|------------------|
| At 31 December 2022 | | | | | | | |
| Cost | 112,954 | 79,531 | 26,830 | 17,432 | 2,140 | — | 238,887 |
| Accumulated depreciation | (25,026) | (21,070) | (21,281) | (14,310) | (1,271) | — | (82,958) |
| Net book amount | 87,928 | 58,461 | 5,549 | 3,122 | 869 | — | 155,929 |
| Six months ended 30 June 2023 (Unaudited) | | | | | | | |
| Opening net book amount at 1 January 2023 | 87,928 | 58,461 | 5,549 | 3,122 | 869 | — | 155,929 |
| Additions | 16,860 | 8,539 | 1,472 | 318 | 542 | 2,888 | 30,619 |
| Disposals | — | — | — | (1) | (26) | — | (27) |
| Depreciation | (2,608) | (3,258) | (1,178) | (1,162) | (384) | — | (8,590) |
| Closing net book amount at 30 June 2023 | 102,180 | 63,742 | 5,843 | 2,277 | 1,001 | 2,888 | 177,931 |
| At 30 June 2023 | | | | | | | |
| Cost | 129,814 | 88,070 | 28,302 | 17,738 | 2,656 | 2,888 | 269,468 |
| Accumulated depreciation | (27,634) | (24,328) | (22,459) | (15,461) | (1,655) | — | (91,537) |
| Net book amount | 102,180 | 63,742 | 5,843 | 2,277 | 1,001 | 2,888 | 177,931 |

As at 30 June 2023 and 31 December 2022, the carrying amount of the buildings of which the property ownership certificates had not been obtained or property ownership transfer procedures had not been completed were RMB28,108,000 and RMB24,802,000, respectively.

The Directors are of the view that the Group is entitled to the lawful and valid occupancy and uses of these buildings and the related ownership certificates will be obtained in due course. The Directors are also of the opinion that the uses of these buildings without the ownership certificates for the Group's business operations for the time being will not expose the Group to any significant penalties or unfavorable consequences.

Notes to the Interim Condensed Consolidated Financial Statements

17 INVESTMENT PROPERTIES

| | Six months ended 30 June | |
|---------------------------------------|--------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Audited) |
| Opening balance | 267,200 | 272,500 |
| Addition | 24,200 | — |
| Net losses from fair value adjustment | (2,450) | (2,000) |
| | <hr/> | <hr/> |
| Closing balance | 288,950 | 270,500 |

Amounts recognised in profit or loss for investment properties

| | Six months ended 30 June | |
|-------------------------------------|--------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Audited) |
| Rental income from operating leases | 6,516 | 8,318 |
| Fair value losses | (2,450) | (2,000) |
| | <hr/> | <hr/> |

Notes to the Interim Condensed Consolidated Financial Statements

18 INTANGIBLE ASSETS

| | Goodwill RMB'000 | Operating concessions RMB'000 | Software RMB'000 | Total RMB'000 |
|--|---------------------|-------------------------------------|---------------------|------------------|
| At 31 December 2022 | | | | |
| 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 | 9,047 | 3,318,841 | 13,077 | 3,340,965 |
| Six months ended 30 June 2023 (Unaudited) | | | | |
| 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 | 9,047 | 3,250,598 | 12,499 | 3,272,144 |
| At 30 June 2023 | | | | |
| 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 | 9,047 | 3,250,598 | 12,499 | 3,272,144 |

(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 of the key assumptions used, 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.

Notes to the Interim Condensed Consolidated Financial Statements

18 INTANGIBLE ASSETS (Continued)

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

| | Six months ended 30 June | |
|-------------------------|--------------------------------|------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Audited) |
| Cost of sales | 105,413 | 94,401 |
| Administrative expenses | 313 | 338 |
| | 105,726 | 94,739 |

- (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 borrowings of the Group (Note 22(a)).

19 TRADE RECEIVABLES

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|--|--|
| Included in current assets | | |
| Trade receivables (Note (a)) | | |
| — Related parties (Note 26(c)) | 3,637 | 10,090 |
| — Third parties | 532,422 | 515,490 |
| | 536,059 | 525,580 |
| Notes receivables | 9,246 | 50 |
| Lease receivables | 16,424 | 21,346 |
| Less: allowance for impairment of trade receivables and lease receivables | (47,942) | (68,990) |
| | 513,787 | 477,986 |
| Included in non-current assets | | |
| Lease receivables | 101,869 | 109,749 |
| Less: allowance for impairment of lease receivables | (21,591) | (21,591) |
| | 80,278 | 88,158 |
| | 594,065 | 566,144 |

Notes to the Interim Condensed Consolidated Financial Statements

19 TRADE RECEIVABLES (Continued)

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

- (b) The Group's trade receivables were 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.

20 CASH AND CASH EQUIVALENTS

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|----------------------------------|---|--|
| Cash at banks | 291,957 | 478,421 |
| Cash on hand | 17 | 21 |
| | 291,974 | 478,442 |
| Less: restricted cash (Note (a)) | (85,829) | (100,374) |
| Cash and cash equivalents | 206,145 | 378,068 |

- (a) The Group's restricted cash were deposits placed with the banks for the issuance of bank acceptance notes and as guarantee deposits of bank borrowings. As at 30 June 2023 and 31 December 2022, restricted cash for the issuance of bank's acceptance notes amounted to approximately RMB74,729,000 and RMB89,274,000, respectively. As at 30 June 2023 and 31 December 2022, restricted cash as guarantee deposits of bank borrowings amounted to RMB11,100,000 and RMB11,100,000, respectively.
- (b) The Group's cash and cash equivalents and restricted cash were denominated in RMB.

Notes to the Interim Condensed Consolidated Financial Statements

21 SHARE CAPITAL

| The Company | Number of ordinary shares | Total RMB'000 |
|---|------------------------------|------------------|
| As at 30 June 2023 and 31 December 2022 | 226,000,000 | 226,000 |

(a) Global offering

On 10 July 2023, the Company issued 75,600,000 ordinary shares at a HK\$3.60 per share with the total gross amount of HK\$272.2 million (equivalent to approximately RMB247.7 million) raised as a result of the completion of the global offering.

Number of total issued shares of the Company was increased to 301,600,000 shares upon completion of the global offering.

22 BORROWINGS

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|--|--|--|
| Included in non-current liabilities: | | |
| Bank borrowings | | |
| – secured and guaranteed (Note (a)) | 400,211 | 408,139 |
| – unsecured | 59,000 | 59,500 |
| – unsecured and guaranteed (Note (b)) | 203,175 | 203,075 |
| | 662,386 | 670,714 |
| Less: current portion of non-current liabilities | (46,493) | (36,250) |
| | 615,893 | 634,464 |
| Included in current liabilities: | | |
| Bank borrowings | | |
| – secured and guaranteed (Note (a)) | 30,000 | 100,000 |
| – unsecured and guaranteed (Note (b)) | 180,000 | 100,000 |
| – secured and unguaranteed (Note (c)) | 10,500 | 10,500 |
| Current portion of non-current liabilities | 46,493 | 36,250 |
| | 266,993 | 246,750 |
| Total | 882,886 | 881,214 |

Notes to the Interim Condensed Consolidated Financial Statements

22 BORROWINGS (Continued)

- (a) As at 30 June 2023, the bank borrowings of Hulunbuir Shuangliang Energy System Company Limited (“**Hulunbuir Shuangliang**”) (a subsidiary of the Company) amounting to RMB158,000,000 (31 December 2022: RMB158,000,000) were guaranteed by the Company and secured by certain trade receivables (Note 19(d)). Secondly, the bank borrowings of Lanzhou New Area Shuangliang Thermal Power Company Limited (“**Lanzhou Shuangliang**”) (a subsidiary of the Company) amounting to RMB104,250,000 (31 December 2022: RMB174,625,000) was guaranteed by the Company and Gansu Shuangliang Energy System Investment Company Limited (“**Gansu Shuangliang**”) (a subsidiary of the Company) and secured by certain intangible assets (Note 18(d)). Thirdly, the bank borrowings of Shuozhou Renewable Energy amounting to RMB162,500,000 (31 December 2022: RMB175,000,000) was guaranteed by Taiyuan Renewable Energy, the Company, Shuangliang Group Company Limited (“**Shuangliang Group Co.**”) (an entity controlled by the significant shareholder) and Mr. Miao Wenbin and secured by price subsidy receivables and certain intangible assets (Note 18(d)). Furthermore, the bank borrowings of Wise Living Tech-Thermal Power (Zhengzhou) Limited (a subsidiary of the Company) amounting to RMB5,461,000 (31 December 2022: RMB514,000) were guaranteed by the Company and secured by certain trade receivables (Note 19(d)).
- (b) As at 30 June 2023, bank borrowings amounting to RMB203,175,000, RMB150,000,000 and RMB30,000,000 (31 December 2022: RMB203,075,000, RMB100,000,000 and nil) were guaranteed by Shuangliang Group Co., Gansu Shuangliang and the Company, respectively.
- (c) As at 30 June 2023, the bank borrowings of the Company amounting to RMB10,500,000 (31 December 2022: RMB10,500,000) were secured by restricted cash of Zhengzhou Wise Living Thermal Power Company Limited (a subsidiary of the Company) of RMB11,100,000 (Note 20(a)).
- (d) The weighted average effective interest rate of borrowings was 4.82% per annum as at 30 June 2023 (31 December 2022: 5.09% per annum).
- (e) The Group’s borrowings were all denominated in RMB.

23 TRADE AND OTHER PAYABLES

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|--|--|--|
| Included in current liabilities | | |
| Trade payables — Third parties (Note (a)) | 468,627 | 333,259 |
| Notes payables | 73,856 | 109,738 |
| Amounts due to and advance from related parties (Note 26(c)) | 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 |
| | 973,411 | 976,277 |
| Included in non-current liabilities | | |
| Other payables | | |
| — A third party (installment payable for acquisition of intangible assets) | 6,866 | 7,386 |
| | 980,277 | 983,663 |

Notes to the Interim Condensed Consolidated Financial Statements

23 TRADE AND OTHER PAYABLES (Continued)

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

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (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 |
| | 468,627 | 333,259 |

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

24 PROVISION

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|--|---|--|
| Provision for maintenance of service concession facilities | 28,430 | 25,593 |

Pursuant to the service concession agreements entered into by the Group, the Group has the contractual obligations to maintain the facilities it operates to specified level of service quality and/or to restore the plants to specified conditions before the facilities are handed over to the grantors at the end of the service concession periods. These contractual obligations to maintain or restore the facilities, except for any upgrade elements, are recognised and measured at the best estimate of the expenditures that would be required to settle the present obligations at each of the reporting dates.

Notes to the Interim Condensed Consolidated Financial Statements

25 COMMITMENTS

(a) Commitments relating to short-term leases

The future aggregate minimum lease payments under non-cancellable short-term leases contracted for but not recognised as liabilities are as follows:

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|----------------------|---|--|
| No later than 1 year | 355 | 177 |

(b) Capital commitments

The Group's capital expenditures contracted for but not yet incurred is as follows:

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|-------------------|---|--|
| Intangible assets | 35,205 | 57,963 |

Notes to the Interim Condensed Consolidated Financial Statements

26 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Below is a summary of the related parties that had transactions or balances with the Group during the reporting period:

| Name of the related party | Relationship with the Group |
|--|--|
| Mr. Miao Shuangda | Significant shareholder |
| Shuangliang Group Co. | Controlled by the significant shareholder |
| Shuangliang Technology | Parent company |
| Sinopec New Star Shuangliang Geothermal Thermal Power Company Limited (“ Sinopec New Star ”) | Associate |
| Beijing Zhongchuang Financial Leasing Company Limited (“ Beijing Zhongchuang ”) | An associate of parent company |
| Shuangliang Eco-Energy System Company Limited (“ Shuangliang Eco-Energy ”) | Controlled by the significant shareholder |
| Jiangyin International Grand Hotel Company Limited (“ Jiangyin Hotel ”) | Controlled by the significant shareholder |
| Jiangsu Shuangliang Boiler Company Limited (“ Shuangliang Boiler ”) | Under the common control of parent company |
| Jiangsu Shuangliang Spandex Company Limited (“ Shuangliang Spandex ”) | Under the common control of parent company |
| Jiangsu Shuangliang New Energy Equipment Company Limited (“ Shuangliang New Energy Equipment ”) | Controlled by the significant shareholder |
| Zhejiang Shangda Public Environmental Protection Company Limited (“ Zhejiang Shangda ”) | Controlled by the significant shareholder |
| Jiangsu Shuangliang Energy-Saving Eco Engineering Technique Company Limited (“ Shuangliang Eco Engineering ”) | Controlled by the significant shareholder |
| Wuxi Hundun Energy Technology Co., Ltd. (“ Wuxi Hundun ”) | Controlled by the significant shareholder |

(b) Transactions with related parties

| | Six months ended 30 June | |
|---|--------------------------------|------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Audited) |
| i) Entity controlled or significantly influenced by certain shareholders | | |
| Purchases of plant and equipment and services | 3,635 | 5,277 |
| Leasing arrangements | 6 | 2 |
| Financing arrangements | — | 48,794 |
| ii) Associate | | |
| Sales of goods or services | 3,887 | 2,725 |
| Purchases of plant and equipment and services | 331 | — |
| Leasing arrangements | 863 | 960 |

Notes to the Interim Condensed Consolidated Financial Statements

26 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|---|--|--|
| i) Entity controlled or significantly influenced by certain shareholders | | |
| Trade receivables | — | 2,608 |
| Trade and other payables | 21,521 | 28,281 |
| Prepayments and other receivables | 7,340 | 3,819 |
| ii) Associate | | |
| Trade receivables | 3,637 | 7,482 |
| Lease receivables | 30,352 | 25,886 |
| Trade and other payables | 1,031 | 2,585 |
| Lease payables | 7,890 | 8,380 |
| Amount advance from related parties | 700 | 700 |

(d) Guarantees

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|--|--|--|
| Guarantees provided by entity controlled or significantly influenced by certain shareholders | 365,676 | 378,075 |

All the guarantees provided by related parties were released upon the listing of H shares in July 2023.

27 CONTINGENCIES

The Group did not have any material contingent liabilities as at 30 June 2023 and 31 December 2022.

28 SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Interim Financial Information, the Group did not have any significant subsequent events after 30 June 2023 and up to the date of issuance of this Interim Financial Information which may result in adjustment or additional disclosure herein.

Definitions

In this interim report, unless the context otherwise requires, the below expressions shall have the following meanings:

| | |
|---|--|
| “Audit Committee” | The audit committee of the Board |
| “Board” or “Board of Directors” | The board of Directors of our 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 interim report, Hong Kong, Macau Special Administrative Region and Taiwan |
| “Company” or “Our Company” | Wise Living Technology Co., Ltd (慧居科技股份有限公司) (Stock Code: 2481), a joint stock limited liability company incorporated in the PRC 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 gross floor area |
| “Controlling Shareholder(s)” | Has the meaning ascribed thereto under the Listing Rules. Unless the context requires otherwise, each of Shuangliang Technology, Jiangsu Lichuang, Mr. Miao Shuangda (繆雙大先生), Mr. Miao Wenbin (繆文彬先生), Mr. Miao Zhiqiang (繆志強先生), Ms. Miao Shuya (繆舒涯女士), Mr. Miao Heida (繆黑大先生), Mr. Jiang Rongfang (江榮方先生), Mr. Ma Peilin (馬培林先生) and Mr. Ma Fulin (馬福林先生) is a Controlling Shareholder. They are considered as a group of the Controlling Shareholders of our Company as the individual Shareholders above have decided to restrict their abilities to exercise direct control over our Company by holding their equity interests through Shuangliang Technology and Jiangsu Lichuang |
| “Corresponding Period” | the six-month period from 1 January 2022 to 30 June 2022 |
| “Director(s)” or “our Director(s)” | The director(s) of our Company |
| “Domestic Share(s)” | Share(s) issued by our Company in the PRC, which are subscribed for in RMB |
| “EMC” | An energy-conservation service contract |
| “Gansu Shuangliang” | Gansu Shuangliang Energy System Investment Company Limited* (甘肅雙良能源系統投資有限公司), a company with limited liability established in the PRC on 27 February 2013, an indirect non wholly-owned subsidiary of our Company |
| “Global Offering” | The Hong Kong public offering and the international offering |
| “Group”, “our Group”, “the Group”, “we”, “us”, or “our” | Our Company and its subsidiaries |
| “H Share(s)” | Ordinary share(s) in the share capital of our 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 |
| “Jiangsu Lichuang” | Jiangsu Lichuang New Energy Company Limited* (江蘇利創新能源有限公司), a company with limited liability established in the PRC on 24 December 1997, one of the Controlling Shareholders of our Company |
| “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 our Company dated 28 June 2023 |
| “Reporting Period” or “Period” | The six-month period from 1 January 2023 to 30 June 2023 |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “SFO” | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | Ordinary share(s) in the capital of our Company with nominal value of RMB1.00, comprising the Domestic Share(s) and H Shares |
| “Shareholder(s)” | Holder(s) of the Shares |
| “Shuangliang Group Co.” | Shuangliang Group Company Limited* (雙良集團有限公司), a company with limited liability established in the PRC on 25 December 1987, which is an associate of Mr. Miao Shuangda and hence a connected person of our Company |



Definitions

| | |
|--------------------------|---|
| “Shuangliang Technology” | Jiangsu Shuangliang Technology Company Limited* (江蘇雙良科技有限公司), a company with limited liability established in the PRC on 18 December 1997, one of the Controlling Shareholders of our Company |
| “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.

* For identification purposes only



慧居科技股份有限公司
Wise Living Technology Co., Ltd