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Wise Living Technology Co., Ltd

慧居科技股份有限公司

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

(Stock Code: 2481)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

FINANCIAL PERFORMANCE HIGHLIGHTS

- Revenue for the Reporting Period was approximately RMB834.0 million, representing an increase of approximately 17.3% as compared with approximately RMB710.8 million for the Corresponding Period.
- Gross profit for the Reporting Period was approximately RMB233.8 million, representing an increase of approximately 20.1% as compared with approximately RMB194.6 million for the Corresponding Period.
- Profit attributable to owners of the Company was approximately RMB112.3 million, representing an increase of approximately 41.6% as compared with approximately RMB79.3 million for the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

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, the 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 2023. 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 RMB834.0 million, representing a growth of 17.3% as compared with approximately RMB710.8 million for the Corresponding Period. The profit attributable to owners of the Company during the Reporting Period was RMB112.3 million, representing a growth of 41.6% as compared with RMB79.3 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 2024, we had seven heat service projects under concession rights and our revenue from heat services for the Reporting Period mainly derived from those seven heat service projects, three of the seven projects were in Shanxi Province, two were in Inner Mongolia Autonomous Region, one was in Gansu Province, and one was in Henan Province. In respect of Baotou Project, its completion date has been postponed from in or around May 2024 to in or around November 2024 as it took considerable time for the local government to reach a consensus with the local villagers on the compensation for land requisition for pipeline construction. Our total actual heat service area was approximately 48.5 million sq.m. as at 30 June 2024, representing an increase of 15.8% from approximately 41.9 million sq.m. as at 30 June 2023. For the Reporting Period, revenue generated from our heat services was approximately RMB696.5 million (Corresponding Period: RMB645.5 million), including (a) fees from customers for provision and distribution of heat of approximately RMB551.4 million (Corresponding Period: RMB503.9 million), (b) price subsidies from local government of approximately RMB92.5 million (Corresponding Period: RMB93.3 million), and (c) pipeline connection fees of approximately RMB52.6 million (Corresponding Period: RMB48.3 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 of the Group, and (b) the increase in the fees from customers for provision and distribution of heat from Hulunbuir 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 2024, we had approximately 385,841 heat service customers (30 June 2023: 300,000). 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			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(Unaudited)		(Unaudited)	
Residential	331,490	60.1	302,213	60.0
Non-residential	219,913	39.9	201,718	40.0
Total	<u>551,403</u>	<u>100.0</u>	<u>503,931</u>	<u>100.0</u>

B. *Heat Sources*

During the Reporting Period, our heat sources included (a) heat procured from third party, and (b) heat self-produced by the Group (including heat produced by coal-fired boilers, residual heat collected at cogeneration plants and geothermal heat). Our access to different and diversified heat sources can ensure the provision of stable and reliable heat services 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 2024, we operated and owned most of our primary distribution pipelines with an aggregate length of approximately 698.9 kilometers (30 June 2023: 546.9 kilometers).

(2) **Heat-related Engineering Construction Services**

During the Reporting Period, revenue generated from our engineering construction services was approximately RMB122.2 million, representing an increase of 182.9% from approximately RMB43.2 million for the Corresponding Period, which was mainly due to the increase in engineering construction activities to facilitate our provision of heat services under Shuozhou Project and Baotou Project. The table below sets out the revenue generated from our engineering construction services by service type for the periods indicated.

	Six months ended 30 June			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(Unaudited)		(Unaudited)	
Engineering construction services for our concession operations	108,799	89.0	36,905	85.5
Engineering construction services provided to customers	13,403	11.0	6,247	14.5
Total	<u>122,202</u>	<u>100.0</u>	<u>43,152</u>	<u>100.0</u>

(3) Heat-related EMC Services

During the Reporting Period, we provided energy-conservation services to an energy consuming enterprise to achieve certain energy-saving goals. For the Reporting Period, revenue generated from this EMC project was RMB1.5 million, which maintained at the same level as that of the Corresponding Period and 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) provision of designing services, which mainly consisted of indoor heat operation designing and consulting services, to some government authorities and commercial operators; and (c) the sale of heat service facilities (including heat service equipment, devices and relevant parts) to operators who required such facilities for their business operation. The revenue generated from other businesses amounted to RMB13.8 million, representing a decrease of 33.0% from RMB20.6 million for the Corresponding Period. This was mainly due to the decrease in the sale of heat service facilities.

(5) Honors and Awards

In January 2024, the Company was awarded the “Outstanding Case of ESG Practice of Enterprises in New Energy Industry in 2023” (2023年度新能源企業ESG實踐優秀案例獎). In March 2024, Shuozhou Renewable Energy was honoured with “Social Responsibility Award” (社會責任擔當獎). In April 2024, Shuozhou Renewable Energy was awarded the “Outstanding Enterprise” (優秀企業獎).

FINANCIAL REVIEW

The following table sets forth the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2024 and the six months ended 30 June 2023, respectively.

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	833,999	710,818
Cost of sales	(600,205)	(516,214)
Gross profit	233,794	194,604
Administrative expenses	(70,229)	(70,063)
Reversal of impairment losses on financial assets and contract assets	19,411	21,140
Other income	18,446	17,131
Other losses — net	(2,247)	(1,690)
Operating profit	199,175	161,122
Finance income	10,077	9,686
Finance costs	(23,250)	(25,310)
Finance costs — net	(13,173)	(15,624)
Share of profit of associates accounted for using the equity method	4,579	2,935
Profit before income tax	190,581	148,433
Income tax expenses	(35,927)	(35,096)
Profit and total comprehensive income for the period	<u>154,654</u>	<u>113,337</u>

Revenue

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Heat services		
— Fees from customers for provision and distribution of heat	551,403	503,931
— Price subsidies from local government	92,490	93,291
— Pipeline connection fees	52,591	48,250
Sub-total	696,484	645,472
Engineering construction services	122,202	43,152
EMC services	1,488	1,488
Heat transmission services	2,128	2,259
Sales of goods	1,986	10,924
Designing services	2,974	2,568
Others	6,737	4,955
Total	833,999	710,818

During the Reporting Period, our revenue was mainly generated from (a) fees from customers for provision and distribution of heat, (b) engineering construction services, and (c) price subsidies from local government, the majority of which were attributable to (a) and (b). For the Reporting Period, our revenue increased by 17.3% from approximately RMB710.8 million for the Corresponding Period to approximately RMB834.0 million for the Reporting Period, primarily due to (a) the increase in the actual heat service area of the Group, (b) the increase in the fees from customers for provision and distribution of heat from Hulunbuir Project, and (c) the increase in the provision of engineering construction services.

Cost of Sales

During the Reporting Period, our cost of sales mainly includes (a) costs for purchases of heat, (b) construction costs, (c) amortisation of intangible assets, and (d) materials consumed. Our cost of sales increased by 16.3% from approximately RMB516.2 million for the Corresponding Period to approximately RMB600.2 million for the Reporting Period, primarily attributable to (a) the increase in costs for purchases of heat, and (b) the increase in construction costs.

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			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Heat services	215,365	30.9	179,906	27.9
Engineering construction services	11,993	9.8	4,540	10.5
EMC services	260	17.5	213	14.3
Heat transmission services	1,527	71.8	1,580	69.9
Sales of goods	989	49.8	5,568	51.0
Designing services	1,196	40.2	1,159	45.1
Others	2,464	36.6	1,638	33.1
Total	<u>233,794</u>	<u>28.0</u>	<u>194,604</u>	<u>27.4</u>

For the Reporting Period, our gross profit was approximately RMB233.8 million, representing an increase of 20.1% as compared with approximately RMB194.6 million for the Corresponding Period.

For the Reporting Period, our gross profit margin was approximately 28.0% (Corresponding Period: 27.4%). The increase in gross profit margin was mainly attributable to the (a) the increase in the heat service area of the Group, and (b) the decrease in the cost of heat due to the decrease in fuel cost.

Administrative Expenses

Our administrative expenses mainly consist of (a) employee benefit expenses, (b) depreciation of property, plant and equipment, (c) business entertainment expenses, and (d) travelling expenses. Our administrative expenses increased by 0.1% from approximately RMB70.1 million for the Corresponding Period to approximately RMB70.2 million for the Reporting Period, primarily attributable to the increase in employee benefit expenses.

Reversal of Impairment Losses on Financial Assets and Contract Assets

During the Reporting Period, we recorded a reversal 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 RMB19.4 million, as compared with a reversal of impairment losses of approximately RMB21.1 million for the Corresponding Period, primarily due to the lower expected credit risk of lease receivables.

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 RMB18.4 million, representing an increase of approximately 7.6% from approximately RMB17.1 million for the Corresponding Period, primarily due to the increase in rental income from Taiyuan City Renewable Energy Heat Supply Company Limited* (太原市再生能源供熱有限公司).

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 RMB2.2 million, representing an increase of approximately 29.4% from approximately RMB1.7 million for the Corresponding Period, primarily due to the increase in fair value losses of investment properties.

Finance Income and Costs

For the Reporting Period, our finance income amounted to approximately RMB10.1 million, representing an increase of approximately 4.1% from approximately RMB9.7 million for the Corresponding Period, primarily due to the increase in the interest income from bank deposit.

For the Reporting Period, our finance costs amounted to approximately RMB23.3 million, representing a decrease of approximately 7.9% from approximately RMB25.3 million for the Corresponding Period, primarily due to the decrease in borrowings for the Reporting Period as compared to the Corresponding Period.

Income Tax Expenses

For the Reporting Period, our income tax expenses amounted to approximately RMB35.9 million, representing an increase of approximately 2.3% from approximately RMB35.1 million for the Corresponding Period, primarily due to the increase in profit before income tax.

Profit for the Period

For the Reporting Period, profit for the period amounted to approximately RMB154.7 million, representing an increase of approximately 36.5% from approximately RMB113.3 million for the Corresponding Period, primarily attributable to the increase in gross profit as a result of the combined effect of (a) the increase in heat service area of the Group, and (b) the decrease in the cost of heat due to the decrease in fuel cost.

Profit Attributable to Owners of the Company

For the Reporting Period, profit attributable to owners of the Company amounted to approximately RMB112.3 million, representing an increase of approximately 41.6% from approximately RMB79.3 million for the Corresponding Period. Profit attributable to owners of the Company was basically in line with the increase in profit for the Reporting Period.

PROSPECTS

In the second half of 2024, while ensuring steady growth in the performance of the Group's existing projects and seeking market expansion, the Group will continue to stick to the following two key areas:

(1) To continuously improve the digitalised heat service platform

In the first half of 2024, the Company set the overall goal of “production integration, operation integration and management integration” and formulated the development plan for its digitalised heat service platform. In the second half of 2024, the Group will strive to achieve the following targets: (a) in terms of data collection for heat services and real-time monitoring of the platform, the Group will strive to optimise its data collection solutions and improve the data collection process of its heat service projects; (b) in terms of customer management and customer service improvement, the Group will complete the development of a new customer service system, realise data connection between production system and billing and customer service system, and take over the operation and maintenance services of billing and customer service system. The Group will also launch the relevant Wechat service account and develop related mini-programs; (c) in terms of remote control and automatic adjustment, the Group will develop and optimise relevant functions through cooperation with universities; and (d) in terms of data analysis, the Group expects to achieve dashboard management function within 2024.

(2) To establish a Heating Technology Center at the Central Research Institute for Carbon Neutrality

In the first half of 2024, the Group clarified the functional positioning of the Heating Technology Center within the Group and formulated its future work plan, which includes but not limited to seeking cooperation with universities and research institutions in the field of clean energy heating, and inviting experts in the field of clean energy heating and technical personnel from various subsidiaries of the Group to join the Heating Technology Center.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3	833,999	710,818
Cost of sales	4	<u>(600,205)</u>	<u>(516,214)</u>
Gross profit		233,794	194,604
Administrative expenses	4	<u>(70,229)</u>	<u>(70,063)</u>
Reversal of impairment losses on financial assets and contract assets		19,411	21,140
Other income	5	18,446	17,131
Other losses — net	6	<u>(2,247)</u>	<u>(1,690)</u>
Operating profit		199,175	161,122
Finance income		10,077	9,686
Finance costs		<u>(23,250)</u>	<u>(25,310)</u>
Finance costs — net		(13,173)	(15,624)
Share of profit of associates accounted for using the equity method		<u>4,579</u>	<u>2,935</u>
Profit before income tax		190,581	148,433
Income tax expenses	7	<u>(35,927)</u>	<u>(35,096)</u>
Profit and total comprehensive income for the period		<u>154,654</u>	<u>113,337</u>
Profit and total comprehensive income attributable to:			
— Owners of the Company		112,287	79,272
— Non-controlling interests		<u>42,367</u>	<u>34,065</u>
		<u>154,654</u>	<u>113,337</u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
— Basic and diluted	8	<u>0.37</u>	<u>0.35</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	<i>Note</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		190,590	195,834
Investment properties		380,146	344,197
Right-of-use assets		24,884	26,724
Intangible assets	<i>10</i>	3,521,477	3,520,839
Investments accounted for using the equity method		114,711	110,132
Trade receivables	<i>11</i>	87,932	87,874
Prepayments and other receivables		27,583	31,870
Deferred income tax assets		75,086	67,603
		4,422,409	4,385,073
Current assets			
Inventories		31,755	36,871
Trade receivables	<i>11</i>	573,607	472,690
Prepayments and other receivables		74,553	102,681
Restricted cash		115,909	86,468
Cash and cash equivalents		346,017	713,175
		1,141,841	1,411,885
Total assets		<u>5,564,250</u>	<u>5,796,958</u>

	<i>Note</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		301,600	301,600
Other reserves		354,800	354,800
Retained earnings		466,455	399,408
		<u>1,122,855</u>	<u>1,055,808</u>
Non-controlling interests		<u>223,228</u>	<u>243,197</u>
Total equity		<u><u>1,346,083</u></u>	<u><u>1,299,005</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings		489,902	588,430
Other payables	12	46,528	62,985
Contract liabilities	3(b)	1,989,558	1,915,126
Lease liabilities		15,907	17,451
Deferred income		81,745	89,719
Deferred income tax liabilities		30,560	26,406
Provision		34,588	31,298
		<u>2,688,788</u>	<u>2,731,415</u>
Current liabilities			
Borrowings		238,686	131,380
Trade and other payables	12	1,082,110	1,043,407
Contract liabilities	3(b)	156,354	539,480
Lease liabilities		1,686	164
Current income tax liabilities		50,543	52,107
		<u>1,529,379</u>	<u>1,766,538</u>
Total liabilities		<u><u>4,218,167</u></u>	<u><u>4,497,953</u></u>
Total equity and liabilities		<u><u>5,564,250</u></u>	<u><u>5,796,958</u></u>

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

NOTES

1 BASIS OF PRESENTATION

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

The interim financial information for the six months ended 30 June 2024 (“**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 annual financial statements of the Group for the year ended 31 December 2023, which have been prepared in accordance with the IFRS Accounting Standards, and any public announcements made by the Company during the six months ended 30 June 2024.

As at 30 June 2024, the Group had net current liabilities of RMB387,538,000. The net current liabilities included contract liabilities amounted to RMB156,354,000 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 2024 amounted to RMB728,588,000 of which RMB238,686,000 are classified as current liabilities, while its cash and cash equivalents amounted to RMB346,017,000 as at the same date.

Management closely monitors the Group’s financial performance and liquidity position. The Group is 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 six months ended 30 June 2024 as necessary.

As at 30 June 2024, the Group had unused banking facilities amounting to RMB477 million, of which RMB50 million is available to the Group up to November 2024, RMB225 million is available to the Group up to April 2025, RMB60 million is available to the Group up to June 2026, and the remaining RMB142 million is available to the Group up to December 2030.

The directors are of the opinion that, taking into account the Group’s financial performance, the capital expenditures plans and the continuous availability of existing banking facilities, 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 2024. Accordingly, the Interim Financial Information has been prepared on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the annual financial statements for the year ended 31 December 2023, except for the adoption of new amendments to standards as set out below.

(a) New amendments to standards adopted by the Group

The following amended standards are mandatory for the first time for the financial year beginning or after 1 January 2024:

		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

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

(b) New standards and amendments 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
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to the classification and measurement of financial instruments	1 January 2026
IFRS 19	Subsidiaries without public accountability	1 January 2027
IFRS 18	Presentation and disclosure in financial statements	1 January 2027
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 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 new standards and amendments to the existing standards.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue from contract with customers

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Revenue from contract with customers:		
— Provision and distribution of heat	643,893	597,222
— Consideration from customers	551,403	503,931
— Price subsidies from local government	92,490	93,291
— Engineering construction services	122,202	43,152
— Pipeline connection fees	52,591	48,250
— Heat transmission services	2,128	2,259
— Sale of goods	1,986	10,924
— Energy management services	1,488	1,488
— Designing services	2,974	2,568
— Others	6,737	4,955
	833,999	710,818
Timing of revenue recognition:		
— At a point in time	8,891	18,109
— Over time	825,108	692,709
	833,999	710,818

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 interim condensed 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 2024 and 2023.

(b) Contract liabilities

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

4 EXPENSES BY NATURE

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

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Costs for purchases of heat	225,422	214,111
Construction costs	110,209	38,612
Amortisation of intangible assets (<i>Note 10</i>)	108,147	105,726
Materials consumed	65,472	70,391
Utility costs	56,810	53,013
Employee benefit expenses	45,843	44,818
Depreciation of property, plant and equipment	9,209	8,590
Maintenance expenses	5,932	4,386
Entertainment expenses	5,622	5,762
Travelling expenses	4,485	3,461
Other taxes and surcharges	3,688	3,423
Consulting and professional service fees	2,006	1,772
Depreciation of right-of-use assets	1,560	1,790
Cost of goods sold	997	5,356
Short-term lease expenses	775	870
Auditors' remuneration	566	566
Listing expenses	—	3,008
Others	23,691	20,622
	<u>670,434</u>	<u>586,277</u>
Total	<u>670,434</u>	<u>586,277</u>

5 OTHER INCOME

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Government grants (a)	10,496	10,615
Rental income	7,950	6,516
	<u>18,446</u>	<u>17,131</u>

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

6 OTHER LOSSES — NET

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Fair value losses of investment properties	(5,325)	(2,450)
Gain on extinguishment of account receivables	2,043	—
Foreign exchange gain	1,097	—
Losses on deregistration of a subsidiary	(181)	—
Gains/(losses) on disposal of property, plant and equipment, net	2	(3)
Others	117	763
	<u>(2,247)</u>	<u>(1,690)</u>

7 INCOME TAX EXPENSES

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	<u>39,257</u>	<u>38,339</u>
Deferred income tax	<u>(3,330)</u>	<u>(3,243)</u>
	<u>35,927</u>	<u>35,096</u>

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 30 June 2024 is 19% (six months ended 30 June 2023: 24%).

8 EARNINGS PER SHARE

(a) Basic

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the Company (RMB'000)	112,287	79,272
Weighted average number of ordinary shares in issue (thousands)	301,600	226,000
Basic earnings per share (RMB per share)	<u>0.37</u>	<u>0.35</u>

(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 2024 and 2023.

9 DIVIDENDS

No interim dividend was declared and paid by the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

10 INTANGIBLE ASSETS

	Goodwill	Operating	Software	Total
	<i>RMB'000</i>	<i>concessions</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>RMB'000</i>		
At 31 December 2023				
Cost	9,047	5,139,359	20,776	5,169,182
Accumulated amortisation	—	(1,518,986)	(8,846)	(1,527,832)
Accumulated impairment	—	(120,511)	—	(120,511)
Net book amount	<u>9,047</u>	<u>3,499,862</u>	<u>11,930</u>	<u>3,520,839</u>
Six months ended 30 June 2024				
(Unaudited)				
Opening net book amount	9,047	3,499,862	11,930	3,520,839
Additions	—	108,785	—	108,785
Amortisation	—	(107,570)	(577)	(108,147)
Closing net book amount	<u>9,047</u>	<u>3,501,077</u>	<u>11,353</u>	<u>3,521,477</u>
At 30 June 2024				
Cost	9,047	5,248,144	20,776	5,277,967
Accumulated amortisation	—	(1,626,556)	(9,423)	(1,635,979)
Accumulated impairment	—	(120,511)	—	(120,511)
Net book amount	<u>9,047</u>	<u>3,501,077</u>	<u>11,353</u>	<u>3,521,477</u>

- (a) Impairment test 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 2024, 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 2023 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 2024. For details of the key assumptions used, see note 17(a) of the annual financial statements for the year ended 31 December 2023.

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

As at 30 June 2024, with assistance of an independent valuer, management updated the assessment of the impairment test 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. Based on the result of the impairment test, management considered that no further impairment charge for the six months ended 30 June 2024 was required. As at 30 June 2024, the recoverable amount of the CGU related to Shuozhou Renewable Energy approximated its carrying amount. Management consider that any reasonably possible changes in the key assumptions may result in further impairment charge to be recognised.

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

	Six months ended 30 June	
	2024	2023
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Cost of sales	108,044	105,413
Administrative expenses	103	313
	<u>108,147</u>	<u>105,726</u>

- (d) As at 30 June 2024 and 31 December 2023, intangible assets with carrying amount of approximately RMB712,250,000 and RMB731,866,000, respectively, were pledged as collateral for the bank borrowings of the Group.

11 TRADE RECEIVABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Included in current assets		
Trade receivables (a)		
— Related parties	2,910	2,080
— Third parties	<u>601,586</u>	<u>509,182</u>
	<u>604,496</u>	<u>511,262</u>
Notes receivables	4,324	1,319
Lease receivables	18,905	18,904
Less: allowance for impairment of trade receivables and lease receivables	<u>(54,118)</u>	<u>(58,795)</u>
	<u><u>573,607</u></u>	<u><u>472,690</u></u>
Included in non-current assets		
Lease receivables	90,597	105,146
Less: allowance for impairment of lease receivables	<u>(2,665)</u>	<u>(17,272)</u>
	<u><u>87,932</u></u>	<u><u>87,874</u></u>
	<u><u>661,539</u></u>	<u><u>560,564</u></u>

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

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Within 1 year	429,102	374,903
1 to 2 years	118,844	103,575
2 to 3 years	28,782	12,196
Over 3 years	<u>27,768</u>	<u>20,588</u>
	<u><u>604,496</u></u>	<u><u>511,262</u></u>

- (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 2024 and 31 December 2023, trade receivables with carrying amount of approximately RMB406,189,000 and RMB334,229,000 respectively, were pledged as collaterals for the bank borrowings of the Group.

12 TRADE AND OTHER PAYABLES

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Included in current liabilities		
Trade payables		
— Third parties (a)	517,809	498,311
— Related parties	—	1,525
	517,809	499,836
Notes payables	129,668	61,903
Amounts due to and advance from related parties	21,676	26,508
Payables for acquisition of intangible assets	218,618	270,160
Payables for acquisition of property, plant and equipment	4,824	5,420
Employee benefits payables	13,759	30,970
Other taxes payables	26,815	33,522
Interest payables	737	1,079
Employee reimbursement payables	243	1,263
Dividends payables to non-controlling interests	71,500	10,000
Loans from government	22,981	22,517
Refundable pipeline connection fee	1,895	1,895
Installment payable for acquisition of intangible assets	33,153	35,328
Others	18,432	43,006
	1,082,110	1,043,407
Included in non-current liabilities		
Other payables		
— A third party (installment payable for acquisition of intangible assets)	46,528	62,985
	1,128,638	1,106,392

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 1 year	370,194	348,546
1 to 2 years	25,249	42,984
2 to 3 years	33,965	33,936
Over 3 years	88,401	74,370
	<u>517,809</u>	<u>499,836</u>

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

OTHER INFORMATION

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

The table below sets out the planned applications of the net proceeds and actual usage from the Listing Date up to 23 August 2024:

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 23 August 2024) (RMB million)	Unutilised amount (as at 23 August 2024) (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	32.7	52.6	On or before 31 December 2024 ⁽³⁾
Xinmi Project Preparation and Expansion	40.0%	75.0	68.2	16.2	52.0	On or before 31 December 2024 ⁽³⁾
The Group’s working capital and other general corporate purposes	10.0%	18.8	17.1	10.0	7.1	On or before 31 December 2024 ⁽³⁾
Total	<u>100.0%</u>	<u>187.5</u>	<u>170.6</u>	<u>58.9</u>	<u>111.7</u>	

Notes:

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

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

INTERIM DIVIDEND

No interim dividend was declared and paid by the Company for the Reporting Period (Corresponding Period: nil).

CORPORATE GOVERNANCE PRACTICES

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

During the Reporting Period, in the opinion of Directors, the Company has complied with all the principles and code provisions as set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including treasury shares (as defined under the Listing Rules)) during the Reporting Period. As at 30 June 2024, the Company did not hold any treasury shares.

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL INFORMATION

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EVENTS AFTER THE REPORTING PERIOD

Issuance of Filing Notice by the CSRC for the Full Circulation of Shares

Reference is made to the announcement of the Company dated 3 July 2024. The Company has completed the filing with the CSRC in respect of the implementation of conversion up to an aggregate of 226,000,000 Domestic Shares into H Shares on 28 June 2024.

Listing Approval Granted by the Stock Exchange for the Full Circulation of Shares

Reference is made to the announcement of the Company dated 21 August 2024. On 20 August 2024, the Stock Exchange granted its approval for the listing of and permission to deal in 226,000,000 H Shares, representing the total number of Domestic Shares to be converted under the Conversion and Listing, subject to fulfillment of all other conditions of the Conversion and Listing.

Save as disclosed above, the Board is not aware of any significant event occurred that materially affects the Group's financial condition or operations following the Reporting Period and up to the date of this announcement.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2024 INTERIM REPORT

This interim results announcement was published on the websites of the Company at <http://www.hjkj.cn> and the Stock Exchange at <https://www.hkexnews.hk>. The interim report of the Group for the Reporting Period, which contains all the information required under the Listing Rules, will be despatched to the Shareholders who have chosen to receive printed version and available on the above websites in September 2024.

DEFINITIONS

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

“Audit Committee”	the audit committee of the Board
“Baotou Project”	Baotou Tuyou New Industrial Park Chemical Concentration Zone of Inner Mongolia Autonomous Region Heat Services of Steam Supply Project* (內蒙古包頭土右新型工業園區化工集中區供熱(氣)項目)
“Board”	the board of Directors of the Company
“CG Code”	Corporate Governance Code as set out in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Conversion and Listing”	the conversion of up to an aggregate of 226,000,000 Domestic Shares into H Shares and their listing thereof on the Stock Exchange
“China” or “PRC”	The People's Republic of China, excluding for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan

“Company”	Wise Living Technology Co., Ltd (慧居科技股份有限公司) (stock code: 2481), a company with limited liability established in the PRC on 3 September 2010 and converted into a joint stock company with limited liability on 29 December 2015
“Corresponding Period”	the six-month period from 1 January 2023 to 30 June 2023
“CSRC”	The China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	Share(s) issued by the Company in the PRC, which is/are subscribed for in RMB
“EMC”	energy-conservation service contract
“Global Offering”	the Hong Kong public offering and the international offering
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of RMB1.00 each, which is/are subscribed for and traded in HK dollars and listed on the Stock Exchange
“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
“Hulunbuir Project”	Hulunbuir Inner City Area Municipal Heat Services Project (呼倫貝爾市中心城區城鎮供熱項目)
“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”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Prospectus”	the prospectus of the Company dated 28 June 2023
“R&D”	research and development
“Reporting Period”	the six-month period from 1 January 2024 to 30 June 2024
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of RMB1.00, comprising the Domestic Share(s) and H Shares
“Shareholder(s)”	holder(s) of the Shares
“Shuozhou Project”	Shuozhou Municipal Cogeneration Centralised Heat Services Project (朔州市熱電聯產集中供熱項目)
“Shuozhou Renewable Energy”	Shuozhou City Renewable Energy Thermal Company Limited* (朔州市再生能源熱力有限公司), a company with limited liability established in the PRC on 23 May 2011, an indirect non wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Wise Living Energy (Baotou)”	Wise Living Energy (Baotou) Company Limited* (慧居能源(包頭)有限公司), a company with limited liability established in the PRC on 26 November 2020, an indirect wholly-owned subsidiary of the Company
“Xinmi Project”	Xinmi City Centralised Heat Services Project (新密市集中供熱項目)
“%”	percent

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

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

Hong Kong, 23 August 2024

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