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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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

FINANCIAL HIGHLIGHTS

- Revenue for the Reporting Period was approximately RMB1,534.0 million, representing an increase of approximately 6.3% as compared with approximately RMB1,443.7 million for the Corresponding Period.
- Gross profit for the Reporting Period was approximately RMB394.2 million, representing an increase of approximately 32.8% as compared with approximately RMB296.9 million for the Corresponding Period.
- Profit attributable to owners of the Company was approximately RMB149.0 million, representing an increase of approximately 54.5% as compared with approximately RMB96.4 million for the Corresponding Period.
- The Board has resolved to recommend the payment of a final dividend of RMB0.15 per share (tax inclusive) for the year ended 31 December 2023 to all Shareholders whose names appear on the register of members of the Company on Tuesday, 28 May 2024 (subject to the consideration and approval of the same via ordinary resolution by Shareholders at the forthcoming AGM to be held on Friday, 17 May 2024), with a total amount being approximately RMB45,240,000.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Overview of the Heat Service Industry in the PRC

In the PRC, the demand for heat services has been increasing in recent years, 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 service area in the PRC will increase to 14.5 billion sq.m. in 2027.

In line with the social-wide implementation of the “Dual Carbon” Goal (carbon peaking and carbon neutrality goals) and the background of accelerating development of a new-energy system in the PRC, clean heating has become a key area in the development of China’s new-energy system and also a critical part in achieving China’s green and low-carbon circular economic development system. The central government of the PRC encourages municipal governments to develop different ways of clean heating. In response to such industry trend, heat service companies have been innovating their heating technologies to achieve cleaner and more efficient heating services. Currently, the major measures for clean heating transformation in heat service industry are to optimise heat sources with commitment to vigorously promoting clean heat resources. The 14th Five-Year Plan for Renewable Energy Development of the PRC (《“十四五”可再生能源發展規劃》) jointly issued by nine ministries and commissions including the National Development and Reform Commission of the PRC sets that by 2025 the scale of non-electric usage of geothermal heating, biomass heating and fuel and solar heating, should exceed 60 million tonnes of standard coal. Apart from heat sources optimisation, intelligent heating is also expected to play a crucial role in the transformation of clean heating. Through use of technologies such as artificial intelligence, cloud computing, big data, stimulation systems and Internet of Things, intelligent heating can realise unified management of production and allocation of heat supply system, real-time monitoring of the important facilities, equipment and their operating statistics within the system, achieve heat supply on actual and accurate demand, and accelerate the digitalisation, intellectualisation and green transformation of the heat service industry, thereby achieving the goals of energy conservation and carbon reduction.

Overview of the Engineering Construction Service Industry Specialising in Heat Facilities in the PRC

The development of the engineering construction service industry specialising in heat facilities in the PRC has benefited from the continuous development of the heating service 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 service 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

Summary

Since our inception in 2010, we have established a leading position in the heat service industry in the “Three North Region”, and have been expanding to areas beyond the Three North Region (for example, the Xinmi Project in Henan Province). During the Reporting Period, our revenue was approximately RMB1,534.0 million, representing a growth of 6.3% as compared with approximately RMB1,443.7 million for the Corresponding Period. The profit attributable to owners of the Company during the Reporting Period was RMB149.0 million, representing a growth of 54.5% as compared with RMB96.4 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 31 December 2023, we had seven heat service projects under concession rights, 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. Our provision of heat services in Xinmi of Henan Province has commenced in December 2023 for the 2023/24 heat service period. In respect of the provision of heat services of steam supply in the Baotou Tuyou New Industrial Park Chemical Concentration Zone* (包頭土右新型工業園化工集中區) of Inner Mongolia Autonomous Region, Wise Living Energy (Baotou) entered into the concession agreement with the Management Committee of Baotou Tuyou New Industrial Park of Inner Mongolia Autonomous Region* (內蒙古包頭土右新型工業園區管理委員會) on 19 September 2023. The pipeline network construction work for the Baotou Project has completed by 50% as at 31 December 2023 and the provision of heat services of steam supply is expected to commence in or around May 2024.

Our total actual heat service area was approximately 47.4 million sq.m. as at 31 December 2023, representing an increase of 13.1% from approximately 41.9 million sq.m. as at 31 December 2022. For the Reporting Period, revenue generated from our heat services was approximately RMB1,202.0 million (Corresponding Period: RMB1,098.9 million), including (a) fees from customers for provision and distribution of heat of approximately RMB922.4 million (Corresponding Period: RMB853.5 million), (b) price subsidies from local government of approximately RMB180.9 million (Corresponding Period: RMB161.7 million), and (c) pipeline connection fee of approximately RMB98.7 million (Corresponding Period: RMB83.7 million). The increase in the revenue generated from heat services for the Reporting Period was mainly attributable to (a) an increase in the revenue generated from provision and distribution of heat and pipeline connection fees due to an increase in actual heat service area, (b) an increase in price subsidies from local government, and (c) an increase in heat rates of certain concession project.

A. Heat Service Customers

During the Reporting Period, our heat service customers included both residential and non-residential heat service customers. As at 31 December 2023, we had approximately 427,031 heat service customers (31 December 2022: 303,900). The table below sets out our revenue generated from customers for our provision and distribution of heat by customer type for the periods indicated.

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Residential	560,538	60.8	519,806	60.9
Non-residential	361,893	39.2	333,736	39.1
Total	<u>922,431</u>	<u>100.0</u>	<u>853,542</u>	<u>100.0</u>

B. Heat Sources

During the Reporting Period, our heat sources included (a) heat procured from third parties, and (b) heat self-produced by the Group (including heat produced by coal-fired boilers, residual heat collected at cogeneration plants and geothermal heat). Our access to different and diversified heat sources can ensure the provision of stable and reliable heat service to our heat service customers. The geothermal energy exploration and utilisation technologies developed by us have made significant contributions to our green heating. In April 2023, we successfully organised the evaluation and results release conference in respect of

the application of super-long gravity heat pipe technology, and our super-long gravity heat pipe technology is recognised as having reached international advanced level as a whole. In October 2023, our five geothermal technologies with their application models were exhibited at the World Geothermal Congress 2023, attracting attention from experts and scholars both domestically and internationally.

C. *Heat Distribution*

Our heat distribution network comprises two component networks: (a) the primary distribution network, and (b) the secondary distribution network. As at 31 December 2023, we operated and owned most of our primary distribution pipelines with an aggregate length of approximately 610.8 kilometers (31 December 2022: 546.9 kilometers).

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

During the Reporting Period, revenue generated from our engineering construction services was approximately RMB292.8 million, representing a decrease of 2.9% from approximately RMB301.6 million for the Corresponding Period, which was mainly due to a decrease in engineering construction activities in Taiyuan City. The table below sets out the revenue generated from our engineering construction services by service type for the periods indicated.

	Year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
Engineering construction services for the concession operations of the Group	285,341	97.5	271,010	89.9
Engineering construction services provided to customers	7,459	2.5	30,557	10.1
Total	292,800	100.0	301,567	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 RMB2.5 million, representing a decrease of 16.7% from RMB3.0 million for the Corresponding Period, which was derived from the share of profit accrued from energy conserved as a result of the energy-conservation services provided by the Group.

(4) Other Businesses

During the Reporting Period, we also engaged in other businesses, including (a) the sale of heat service facilities (including heat service equipment, devices and relevant parts) to operators who required such facilities for their business operation; (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 provision of heat transmission services to a number of customers. The revenue generated from other businesses amounted to RMB36.7 million, representing a decrease of 8.7% from RMB40.2 million for the Corresponding Period. This was mainly due to (a) a decrease in the sales of heat service facilities, and (b) a decrease in the revenue generated from designing services of the Group.

(5) Honors and Awards

In February 2023, Shanxi Transformation and Comprehensive Reform Demonstration Zone Heat Supply Company Limited* (山西轉型綜改示範區供熱有限公司) was included in the list of the “First Batch of Innovative Small and Medium-size Enterprises in Shanxi Province for the year 2023” (山西省2023年度第一批創新性中小企業). In February 2023, Shuozhou City Renewable Energy Thermal Company Limited* (朔州市再生能源熱力有限公司) was named the “Outstanding Enterprise of Shuozhou City (朔州市優秀企業)”. In June 2023, Shanxi Shuangliang Renewable Energy Industry Group Company Limited* (山西雙良再生能源產業集團有限公司) was awarded the “Outstanding Private Enterprise of Taiyuan City (太原市優秀民營企業)”. In December 2023, Hulunbuir Shuangliang Energy System Company Limited* (呼倫貝爾雙良能源系統有限公司) received letter of appreciation from the Department of Comprehensive Support of the 14th National Winter Games Hulunbuir Executive Committee for its stable and intelligent heat services provided during the 14th National Winter Games.

FINANCIAL REVIEW

The following table sets forth the comparative statement of comprehensive income for the Reporting Period and the Corresponding Period.

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue	1,534,035	1,443,732
Cost of sales	<u>(1,139,869)</u>	<u>(1,146,851)</u>
Gross profit	394,166	296,881
Administrative expenses	(175,157)	(139,589)
Reversal of impairment losses on financial assets and contract assets	11,980	23,118
Other income	73,041	53,742
Other losses — net	<u>(5,112)</u>	<u>(3,603)</u>
Operating profit	298,918	230,549
Finance income	18,231	26,314
Finance costs	<u>(50,373)</u>	<u>(84,065)</u>
Finance costs — net	<u>(32,142)</u>	<u>(57,751)</u>
Share of profit of associates accounted for using the equity method	15,374	13,538
Profit before income tax	282,150	186,336
Income tax expense	<u>(55,316)</u>	<u>(45,961)</u>
Profit and total comprehensive income for the year	<u>226,834</u>	<u>140,375</u>
Profit and total comprehensive income attributable to:		
— Owners of the Company	148,980	96,431
— Non-controlling interests	<u>77,854</u>	<u>43,944</u>
	<u>226,834</u>	<u>140,375</u>
Earnings per share (expressed in RMB per share)		
— Basic and diluted	<u>0.57</u>	<u>0.43</u>

Revenue

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Heat Services		
— Fees from customers for provision and distribution of heat	922,431	853,542
— Price subsidies from local government	180,929	161,676
— Pipeline connection fee	98,665	83,725
Sub-total	1,202,025	1,098,943
Engineering construction services	292,800	301,567
EMC services	2,480	3,002
Sales of goods	16,799	23,581
Heat transmission services	4,506	5,521
Designing services	4,259	6,585
Others	11,166	4,533
Total	1,534,035	1,443,732

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 6.3% from approximately RMB1,443.7 million for the Corresponding Period to approximately RMB1,534.0 million for the Reporting Period, primarily due to (a) an increase in the revenue generated from provision and distribution of heat and pipeline connection fees due to an increase in actual heat service area, (b) an increase in price subsidies from local government, and (c) an increase in heat rates of certain concession project.

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 decreased by 0.6% from approximately RMB1,146.9 million for the Corresponding Period to approximately RMB1,140.0 million for the Reporting Period, primarily attributable to (a) a decrease in costs for purchase of heat due to energy-saving measures adopted by the Group, and (b) a decrease in procurement prices of coal.

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.

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Heat services	352,329	29.3	239,446	21.8
Engineering construction services	28,119	9.6	39,800	13.2
EMC services	(384)	(15.5)	(307)	(10.2)
Heat transmission services	3,205	71.1	3,438	62.3
Sales of goods	7,622	45.4	11,026	46.8
Designing services	(66)	(1.5)	2,964	45.0
Others	3,341	29.9	514	11.4
Total	<u>394,166</u>	<u>25.7</u>	<u>296,881</u>	<u>20.6</u>

For the Reporting Period, our gross profit was approximately RMB394.2 million, representing an increase of 32.8% as compared with approximately RMB296.9 million for the Corresponding Period.

For the Reporting Period, our gross profit margin was approximately 25.7% (Corresponding Period: 20.6%). The increase in gross profit margin was mainly attributable to a combined effect of (a) an increase in the heat rates of certain concession project, and (b) a decrease in the cost of sales.

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 25.5% from approximately RMB139.6 million for the Corresponding Period to approximately RMB175.2 million for the Reporting Period, primarily attributable to (a) an increase in the employee benefit expenses, and (b) an increase in business entertainment expenses as the Group had more marketing activities during the Reporting Period.

Reversal of Impairment Losses on Financial Assets and Contract Assets

During the Reporting Period, we recorded 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 RMB12.0 million, as compared with a reversal of impairment losses of approximately RMB23.1 million for the Corresponding Period, primarily due to the combined effect of (a) a reversal of impairment loss of approximately RMB14.5 million from trade receivables, and (b) an impairment loss of approximately RMB2.6 million from other receivables.

Other Income

During the Reporting Period, our other income consisted of (a) compensation income, (b) government grants, and (c) rental income. For the Reporting Period, our other income was approximately RMB73.0 million, representing an increase of approximately 35.9% from approximately RMB53.7 million for the Corresponding Period, primarily due to the compensation received by the Group for the costs incurred in the provision of the heat distribution services to Lanzhou New Area Vocational Education Park* (蘭州新區職業教育園區) in prior years.

Other Losses — net

During the Reporting Period, our other losses-net consisted of (a) fair value losses of investment properties, (b) net foreign exchange losses, and (c) gains on disposal of property, plant and equipment. For the Reporting Period, our other losses — net was approximately RMB5.1 million, representing an increase of approximately 41.9% from approximately RMB3.6 million for the Corresponding Period, primarily caused by the net foreign exchange losses of approximately RMB2.8 million for the Reporting Period.

Finance Income and Costs

For the Reporting Period, our finance income amounted to approximately RMB18.2 million, representing a decrease of approximately 30.7% from approximately RMB26.3 million for the Corresponding Period, primarily due to a decrease in the interest income from the sale and buyback arrangements entered into between the Group and an independent third party.

For the Reporting Period, our finance costs amounted to approximately RMB50.4 million, representing a decrease of approximately 40.1% from approximately RMB84.1 million for the Corresponding Period, primarily attributable to (a) a decrease in loan interest rates, and (b) a one-off loss incurred from modification of lease receivable resulting from the modification of ECM for the Corresponding Period.

Income Tax Expenses

For the Reporting Period, our income tax expenses amounted to approximately RMB55.3 million, representing an increase of approximately 20.4% from approximately RMB46.0 million for the Corresponding Period, primarily due to an increase in profit before income tax.

Profit and Total Comprehensive Income for the Year

For the Reporting Period, profit for the year amounted to approximately RMB226.8 million, representing an increase of approximately 61.6% from approximately RMB140.4 million for the Corresponding Period, primarily due to (a) the net effect of an increase in revenue and a decrease in costs of sales, (b) an increase in other incomes, and (c) a decrease in financial costs.

Profit Attributable to Owners of the Company

For the Reporting Period, profit attributable to owners of the Company amounted to approximately RMB149.0 million, representing an increase of approximately 54.5% from approximately RMB96.4 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 2024, we will continue to be guided by the “Dual Carbon” Goals and take advantage of China’s energy transition as an opportunity. While ensuring steady growth in the performance of our existing concession projects, especially by ensuring the successful commencement of providing heat services of steam supply of the Baotou Project and achieving effective increase in the actual heat service area of the Xinmi Project, we will step up our efforts to capture more market shares and expand our current geographical coverage.

In addition to ensuring the steady growth in the performance of our existing projects and seeking market expansion, the Group will also focus on the following two key areas in 2024:

(1) To continuously improve the digitalised heat service platform

In addition to the continuous improvement of our existing intelligent heat service platform, the Group will set up a research and development team to formulate a development plan for the digitalised platform and strengthen its functional development, with an aim to achieve management optimisation, intelligent optimisation and safety optimisation of our heat services.

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

In 2024, the Group will initiate the establishment of a Heating Technology Center at the Central Research Institution for Carbon Neutrality. The Group will formulate development plans in respect of carbon-neutral heating technologies, increase investment in scientific research and promote the transformation of more market-oriented and suitable new energies, thereby providing support for the Group’s expansion in the heat service market.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2023	2022
		RMB'000	RMB'000
Revenue	3	1,534,035	1,443,732
Cost of sales		<u>(1,139,869)</u>	<u>(1,146,851)</u>
Gross profit		394,166	296,881
Administrative expenses		(175,157)	(139,589)
Reversal of impairment losses on financial assets and contract assets		11,980	23,118
Other income		73,041	53,742
Other losses — net	4	<u>(5,112)</u>	<u>(3,603)</u>
Operating profit		298,918	230,549
Finance income		18,231	26,314
Finance costs		<u>(50,373)</u>	<u>(84,065)</u>
Finance costs — net		(32,142)	(57,751)
Share of profit of associates accounted for using the equity method		<u>15,374</u>	<u>13,538</u>
Profit before income tax		282,150	186,336
Income tax expense	5	<u>(55,316)</u>	<u>(45,961)</u>
Profit and total comprehensive income for the year		<u>226,834</u>	<u>140,375</u>
Profit and total comprehensive income attributable to:			
— Owners of the Company		148,980	96,431
— Non-controlling interests		<u>77,854</u>	<u>43,944</u>
		<u>226,834</u>	<u>140,375</u>
Earnings per share (expressed in RMB per share)			
— Basic and diluted	6	<u>0.57</u>	<u>0.43</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 31 December	
		2023	2022
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		195,834	155,929
Investment properties		344,197	267,200
Right-of-use assets		26,724	28,381
Intangible assets		3,520,839	3,340,965
Investments accounted for using the equity method		110,132	94,966
Trade receivables	7	87,874	88,158
Prepayments and other receivables		31,870	41,865
Contract assets		—	14,610
Deferred income tax assets		67,603	53,674
		4,385,073	4,085,748
Current assets			
Inventories		36,871	48,926
Trade receivables	7	472,690	477,986
Prepayments and other receivables		102,681	153,127
Restricted cash		86,468	100,374
Cash and cash equivalents		713,175	378,068
		1,411,885	1,158,481
Total assets		<u>5,796,958</u>	<u>5,244,229</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		301,600	226,000
Other reserves		354,800	200,114
Retained earnings		399,408	301,003
		1,055,808	727,117
Non-controlling interests		243,197	195,445
Total equity		<u>1,299,005</u>	<u>922,562</u>

		As at 31 December	
	<i>Note</i>	2023	2022
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	9	588,430	634,464
Other payables	8	62,985	7,386
Contract liabilities		1,915,126	1,821,454
Lease liabilities		17,451	18,677
Deferred income		89,719	83,459
Deferred income tax liabilities		26,406	20,331
Provision		31,298	25,593
		<u>2,731,415</u>	<u>2,611,364</u>
Current liabilities			
Borrowings	9	131,380	246,750
Trade and other payables	8	1,043,407	976,277
Contract liabilities		539,480	440,546
Lease liabilities		164	1,005
Current income tax liabilities		52,107	45,725
		<u>1,766,538</u>	<u>1,710,303</u>
Total liabilities		<u>4,497,953</u>	<u>4,321,667</u>
Total equity and liabilities		<u>5,796,958</u>	<u>5,244,229</u>

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

NOTES

1 GENERAL INFORMATION

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 ultimate holding company of the Company is Jiangsu Shuangliang Technology Company Limited (江蘇雙良科技有限公司) (“**Shuangliang Technology**”), which is a private-owned company established in Jiangsu Province, the PRC.

These consolidated financial statements are presented in thousands of unit of Renminbi (RMB'000), unless otherwise stated.

2 BASIC OF PREPARATION

2.1 Compliance with IFRS Accounting Standards and Hong Kong Companies Ordinance (“**HKCO**”)

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards and related interpretations issued by the International Accounting Standards Board (the “**IASB**”), and requirements of the Hong Kong Companies Ordinance Cap. 622.

IFRS comprise the following authoritative literature:

- IFRS Accounting Standards
- International Accounting Standards
- Interpretations developed by the International Financial Reporting Interpretations Committee

2.2 New and amended standards 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 amendments to standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.3 New and amended standards and interpretations not yet adopted

Up to the date of this consolidated financial statements, the following issued new standards or amendments are not yet effective and have not been early adopted by the Group:

		Effective for the accounting periods beginning on or after
IFRS 16 (Amendments)	Leases liability in a sale and leaseback	January 1, 2024
IAS 1 (Amendments)	Non-current liabilities with covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE AND SEGMENT INFORMATION

Revenue from contract with customers

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contract with customers:		
— Provision and distribution of heat	1,103,360	1,015,218
— Consideration from customers	922,431	853,542
— Price subsidies from local government	180,929	161,676
— Engineering construction services	292,800	301,567
— Pipeline connection fees	98,665	83,725
— Sale of goods	16,799	23,581
— Heat transmission services	4,506	5,521
— Designing services	4,259	6,585
— Energy management services	2,480	3,002
— Others	11,166	4,533
	<u>1,534,035</u>	<u>1,443,732</u>
Timing of revenue recognition:		
— At a point in time	31,002	38,570
— Over time	1,503,033	1,405,162
	<u>1,534,035</u>	<u>1,443,732</u>

Management considered the determination of operating segments based on the reports reviewed by the chief operating decision-maker (the “CODM”).

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.

As at 31 December 2023, all of the non-current assets were located in the PRC or arisen from transactions as conducted in the PRC (2022: same).

4 OTHER LOSSES — NET

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Fair value losses of investment properties	(3,980)	(5,300)
Net foreign exchange losses	(2,885)	—
Gains on disposal of property, plant and equipment, net	932	242
Gains on disposal and deregistration of subsidiaries	—	39
Gains on investments in wealth management products, net	—	146
Gains on disposal of intangible assets	—	1,086
Others	821	184
	<u>(5,112)</u>	<u>(3,603)</u>

5 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
— PRC corporate income tax	63,170	60,337
Deferred income tax	(7,854)	(14,376)
	<u>55,316</u>	<u>45,961</u>

6 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2023	2022
Profit attributable to the owners of the Company (<i>RMB'000</i>)	148,980	96,431
Weighted average number of ordinary shares in issue (<i>thousands</i>)	262,039	226,000
Basic earnings per share (<i>RMB per share</i>)	<u>0.57</u>	<u>0.43</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 31 December 2023 (2022: same).

7 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Included in current assets		
Trade receivables (a)		
— Related parties	2,080	10,090
— Third parties	509,182	515,490
	511,262	525,580
Notes receivables	1,319	50
Lease receivables	18,904	21,346
Less: allowance for impairment of trade receivables and lease receivables	(58,795)	(68,990)
	472,690	477,986
Included in non-current assets		
Lease receivables	105,146	109,749
Less: allowance for impairment of lease receivables	(17,272)	(21,591)
	87,874	88,158
Total trade receivables	560,564	566,144

- (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 31 December	
	2023	2022
	RMB'000	RMB'000
Within 1 year	374,903	434,000
1 to 2 years	103,575	52,158
2 to 3 years	12,196	24,704
Over 3 years	20,588	14,718
	511,262	525,580

8 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Included in current liabilities		
Trade payables (a)		
— Related parties	1,525	—
— Third parties	498,311	333,259
	<u>499,836</u>	<u>333,259</u>
Notes payables	61,903	109,738
Amounts due to related parties	26,508	31,566
Payables for acquisition of intangible assets	270,160	299,269
Payables for acquisition of property, plant and equipment	5,420	4,217
Employee benefits payables	30,970	25,218
Other taxes payables	33,522	37,080
Interest payables	1,079	1,107
Employee reimbursement payables	1,263	2,465
Dividends payables to non-controlling interests	10,000	40,778
Loans from government	22,517	22,498
Refundable pipeline connection fees	1,895	2,941
Installment payable for acquisition of intangible assets	35,328	40,551
Others	43,006	25,590
	<u>1,043,407</u>	<u>976,277</u>
Included in non-current liabilities		
Other payables		
— A third party (installment payable for acquisition of intangible assets)	62,985	7,386
	<u>1,106,392</u>	<u>983,663</u>

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

	As at 31 December	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	348,546	224,470
1 to 2 years	42,984	34,074
2 to 3 years	33,936	22,761
Over 3 years	74,370	51,954
	<u>499,836</u>	<u>333,259</u>

9 BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Included in non-current liabilities:		
Bank borrowings		
— secured and guaranteed	581,310	408,139
— unsecured	58,500	59,500
— unsecured and guaranteed	—	203,075
	639,810	670,714
Less: current portion of non-current liabilities	(51,380)	(36,250)
	588,430	634,464
Included in current liabilities:		
Bank borrowings		
— secured and guaranteed	30,000	100,000
— unsecured and guaranteed	50,000	100,000
— secured and unguaranteed	—	10,500
Current portion of non-current liabilities	51,380	36,250
	131,380	246,750
Total borrowings	719,810	881,214

As at year end, the Group's borrowings were repayable as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 1 year or on demand	131,380	246,750
Between 1 and 2 years	165,868	50,564
Between 2 and 5 years	303,316	408,011
Over 5 years	119,246	175,889
	719,810	881,214

10 DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 31 December 2023 (2022: nil).

OTHER INFORMATION

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Company was successfully listed on the Main Board of the Stock Exchange on 10 July 2023. The net proceeds from the Global Offering, after deduction of the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering, amounted to approximately HK\$187.5 million. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus.

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 Plans 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 31 December 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 31 December 2023) (RMB million)	Unutilised amount (as at 31 December 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	24.7	60.6	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	10	7.1	On or before 31 December 2024 ⁽³⁾
Total	<u>100.0%</u>	<u>187.5</u>	<u>170.6</u>	<u>34.7</u>	<u>135.9</u>	

Notes:

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

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

FINAL DIVIDEND AND WITHHOLDING OF INCOME TAX

The Board has resolved to recommend the payment of a final dividend of RMB0.15 per share (tax inclusive) for the year ended 31 December 2023 to all Shareholders whose names appear on the register of members of the Company on Tuesday, 28 May 2024 (subject to the consideration and approval of the same via ordinary resolution by Shareholders at the forthcoming AGM to be held on Friday, 17 May 2024), with a total amount being approximately RMB45,240,000. Subject to approval by the AGM, the final dividend is expected to be paid on or before Friday, 28 June 2024.

Such proposed dividends will be denominated in RMB. Dividends for Domestic Shares will be paid in RMB, while dividends for H Shares will be paid in Hong Kong dollars. The relevant exchange rate for conversion shall be calculated by the average central parity rate of the relevant foreign exchange posted by China Foreign Exchange Trading Centre for one calendar week immediately preceding the date of declaration of such dividend at the AGM.

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) which came into effect on 1 January 2008, and was amended on 24 February 2017 and 29 December 2018, the Provision for Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which took effect on 1 January 2008 and was amended on 23 April 2019, and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), which was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, where a Chinese resident enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from 1 January 2008 to H-share holders which are overseas non-resident enterprises (such term shall have the meaning as defined under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)), it is required to withhold 10% enterprise income tax for such overseas non-resident enterprise H-share holders. Therefore, for a non-resident enterprise Shareholder of the H Shares (i.e., any Shareholder holding the H Shares in the name of a non-individual Shareholder, including but not limited to any holders of H Shares registered in the name of HKSCC Nominees Limited, or any other nominee or trustee, or any other organisation or group), the Company shall withhold the enterprise income tax for the final dividend at the tax rate of 10% on its behalf. After receiving dividends, the non-resident enterprise Shareholder may apply to the relevant tax authorities for enjoying

treatment of taxation treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such taxation treaties (arrangement). After the tax authorities have verified that there is no error, it shall refund tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant taxation treaties (arrangement).

Pursuant to the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (《關於國稅發(1993) 045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the State Administration of Taxation on 28 June 2011, dividends to be distributed by the PRC non-foreign invested enterprise which has issued shares in Hong Kong to the overseas resident individual shareholders, is subject to the individual income tax with a tax rate of 10% in general. However, the tax rates for respective overseas resident individual shareholders may vary depending on the relevant tax agreements between the countries of their residence and China. Thus, 10% individual income tax will be withheld from the dividend payable to any individual Shareholders of H Shares whose names appear on the H Share register of members of the Company on the record date, unless otherwise stated in the relevant taxation regulations, tax treaties or the Notice on the Issues on Levy of Individual Income Tax after the Abolishment of Guoshuifa (1993) No. 045 Document (《關於國稅發(1993) 045號文件廢止後有關個人所得稅徵管問題的通知》).

The Company assumes no responsibilities whatsoever in respect of and will not entertain for any claim arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholdings.

Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H Shares of the Company in the PRC and in Hong Kong and other tax effects involved.

ANNUAL GENERAL MEETING

The AGM is scheduled to be held on Friday, 17 May 2024. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 13 May 2024 to Friday, 17 May 2024, both days inclusive, during which period no transfer of H Shares will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 10 May 2024.

For determining the entitlement to receive the final dividend of the Company for the year ended 31 December 2023, the register of members of the Company will be closed from Thursday, 23 May 2024 to Tuesday, 28 May 2024, both days inclusive, during which period no transfer of H Shares will be registered. The holders of H Shares whose names appear on the register of members of the Company on Tuesday, 28 May 2024 are entitled to receive the final dividend. In order for the holders of H shares to qualify for receiving the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 22 May 2024.

CORPORATE GOVERNANCE

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

From the Listing Date to 31 December 2023, in the opinion of Directors, the Company has complied with all the principles and code provisions as set out in the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiries with all the Directors and supervisors, each of the Directors and supervisors confirmed that he/she has complied with the required standards as set out in the Model Code from the Listing Date to 31 December 2023. Meanwhile, the Company was not aware of any events of non-compliance with the Model Code by the relevant employees from the Listing Date to 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date up to 31 December 2023.

AUDIT COMMITTEE

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 Audit Committee has considered and reviewed the Group's annual results for the year ended 31 December 2023, the accounting principles and practices adopted by the Company and the Group, and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended 31 December 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event occurred that materially affect the Group's financial condition or operation following the Reporting Period and up to the date of this announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2023 ANNUAL REPORT

This annual results announcement was published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and on the website of the Company (<http://www.hjkj.cn>). The annual report of the Group for the year ended 31 December 2023, which contains all the information required under the Listing Rules, will be despatched to shareholders of the Company and available on the above websites in April 2024.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS

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

“AGM”	The annual general meeting of the Company to be convened and held on Friday, 17 May 2024
“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), a project established pursuant to the concession agreement dated 19 September 2023 entered into between Wise Living Energy (Baotou) and the Management Committee of Baotou Tuyou New Industrial Park of Inner Mongolia Autonomous Region* (內蒙古包頭土右新型工業園區管理委員會)
“Board”	The board of Directors of the Company
“CG Code”	The Corporate Governance Code as set out in Appendix C1 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“China” or “PRC”	The People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“Company”	Wise Living Technology Co., Ltd (慧居科技股份有限公司) (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 period from 1 January 2022 to 31 December 2022
“Director(s)”	The director(s) of the Company

“Domestic Share(s)”	Share(s) issued by the Company in the PRC, which are subscribed for in RMB
“EMC”	Energy-conservation service contract
“Global Offering”	The Hong Kong public offering and the international offering
“Group”, “we” or “our”	The Company and its subsidiaries
“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
“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
“Model Code”	The 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
“Reporting Period”	The period from 1 January 2023 to 31 December 2023
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xinmi Project”	Xinmi City Centralised Heat Services Project of Henan Province* (河南省新密市集中供熱項目)
“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
“%”	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, 22 March 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.

* *For identification purpose only*