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LONGITECH SMART ENERGY HOLDING LIMITED
隆 基 泰 和 智 慧 能 源 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1281)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of LongiTech Smart Energy Holding Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2017 (the "**Period**") together with selected explanatory notes and the comparative figures for the corresponding period in 2016 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	*4*	**286,135**	299,954
Cost of sales		**(198,329)**	(261,090)
Gross profit		**87,806**	38,864
Other gains — net		**3,696**	24,001
Selling and distribution expenses		**(8,041)**	(855)
Administrative expenses		**(22,477)**	(8,767)
Operating profit		**60,984**	53,243
Finance income		**477**	55
Finance costs		**(6,737)**	(3,701)
Finance expenses — net		**(6,260)**	(3,646)
Profit before income tax		**54,724**	49,597
Income tax expense	*9*	**(8,023)**	(6,933)
Profit for the period from continuing operations		**46,701**	42,664
Discontinued operations			
Loss for the period from discontinued operations	*5*	**(721)**	—
Profit for the period		**45,980**	42,664
Profit attributable to:			
Owners of the Company		**45,765**	42,174
Non-controlling interests		**215**	490
		45,980	42,664

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Earnings per share from continuing and discontinued operations attributable to owners of the Company (RMB)			
Basic earnings per share			
From continuing operations	*10*	**0.0633**	0.0694
From discontinued operations	*10*	**(0.0010)**	—
		0.0623	0.0694
Diluted earnings per share			
From continuing operations	*10*	**0.0632**	0.0694
From discontinued operations	*10*	**(0.0010)**	—
		0.0622	0.0694

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period	**45,980**	42,664
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**(1,396)**	(144)
Other comprehensive income for the period, net of tax	**(1,396)**	(144)
Total comprehensive income for the period	**44,584**	42,520
Total comprehensive income for the period attributable to:		
Owners of the Company	**44,369**	42,030
Non-controlling interests	**215**	490
	44,584	42,520
Total comprehensive income attributable to owners of the Company arising from:		
Continuing operations	**45,090**	42,030
Discontinued operations	**(721)**	—
	44,369	42,030

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Note	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**1,855**	8,240
Property, plant and equipment		**399,696**	271,826
Investment properties		**9,000**	—
Intangible assets		**31,416**	24,431
Available-for-sale financial assets		**6,606**	—
Other non-current assets		**16,589**	12,878
Total non-current assets		**465,162**	317,375
Current assets			
Inventories		**14,488**	27,618
Trade and other receivables	*7*	**271,248**	114,424
Amount due from customers for contract work		**670,877**	604,746
Available-for-sale financial assets		**—**	3,000
Restricted cash		**300,146**	296
Cash and cash equivalents		**83,868**	205,037
		1,340,627	955,121
Assets of disposal group classified as held for sale	*5*	**97,248**	—
Total current assets		**1,437,875**	955,121
Total assets		**1,903,037**	1,272,496
EQUITY			
Equity attributable to owners of the Company			
Share capital	*8*	**6,392**	6,002
Other reserves		**302,647**	212,257
Retained earnings		**134,388**	88,623
		443,427	306,882
Non-controlling interests		**2,175**	—
Total equity		**445,602**	306,882

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2017

	Note	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**1,127,104**	668,864
Deferred government grants		**2,547**	2,600
Deferred income tax liabilities		**10,382**	9,856
Total non-current liabilities		**1,140,033**	681,320
Current liabilities			
Borrowings		**67,850**	35,375
Receipts in advance		**—**	13,975
Trade and other payables		**176,020**	210,737
Current income tax liabilities		**25,342**	24,207
		269,212	284,294
Liabilities of disposal group classified as held for sale	5	**48,190**	—
Total current liabilities		**317,402**	284,294
Total liabilities		**1,457,435**	965,614
Total equity and liabilities		**1,903,037**	1,272,496

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

LongiTech Smart Energy Holding Limited (the "**Company**") was incorporated in the Cayman Islands on 4 January 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 January 2012.

The Company and its subsidiaries (the "**Group**") are principally engaged in smart energy and solar energy businesses and primary land development and public infrastructure construction ("**primary land development business**"). The Company's parent company is Longevity Investment Holding Limited ("**Longevity**"), and the ultimate owner is Mr. Wei Shaojun (the "**controlling shareholder**").

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "**Interim Financial Reporting**". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

(i) IFRS 9 Financial instruments

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) IFRS 15 Revenue from "contracts with customers"

The International Accounting Standards Board has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The management does not expect significant impact on the financial performance and position of the Group resulted from the effectiveness of IFRS 15 for periods beginning on or after 1 January 2018.

IFRS 15 is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

(iii) IFRS 16 "Leases"

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB12,733,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

4 SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments.

— Smart energy and solar energy businesses ; and

— Primary land development business.

Primary land development business refer to the primary land development and public infrastructure construction businesses.

No geographic information is shown as substantially all assets, liabilities, revenue and profit from the operations of the Group are derived from activities in the PRC.

(a) **The segment results for the six months ended 30 June 2017 and 2016 are as follows:**

	Smart energy and solar energy businesses	Primary land development business	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2017 (Unaudited)					
Revenue from external customers	**178,148**	**107,987**	**18,878**	**(3,055)**	**301,958**
Reportable segment profit/(loss) after tax	**24,566**	**26,244**	**(4,830)**	**—**	**45,980**
As at 30 June 2017 (Unaudited)					
Reportable segment assets	**778,868**	**1,008,276**	**156,429**	**(40,536)**	**1,903,037**
Additions to non-current assets	**26,700**	**—**	**31**	**—**	**26,731**
Reportable segment liabilities	**521,604**	**927,668**	**48,699**	**(40,536)**	**1,457,435**
For the six months ended 30 June 2016 (Unaudited)					
Revenue from external customers	11,824	260,310	27,820	—	299,954
Reportable segment profit/(loss) after tax	28,253	17,040	(2,629)	—	42,664
As at 31 December 2016 (Audited)					
Reportable segment assets	510,127	660,723	223,972	(122,326)	1,272,496
Additions to non-current assets	296,259	605	378	—	297,242
Reportable segment liabilities	424,955	606,628	56,357	(122,326)	965,614

(b) **Reconciliations of reportable segment revenue**

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment revenue	**301,958**	299,954
Elimination of discontinued operation	**(15,823)**	—
Consolidated revenue for the period from continuing operations	**286,135**	299,954

(c) Reconciliations of reportable segment profit

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment profit after tax	**45,980**	42,664
Elimination of discontinued operation	**721**	—
Consolidated profit after tax for the period from continuing operations	**46,701**	42,664

5 DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

On 29 June 2017, the Group announced to sell its manufacturing, processing and sales of doors and windows and provision of construction and engineering services business, (the "**held for sale business**"), which mainly consists of Tianjin Lion Window & Door Company Limited and Dalian Kai Shi Construction & Engineering Company Limited. The transaction is expected to be completed during the second half of the year. The held for sale business is expected to be sold for cash consideration of HK$56,672,000, its results are presented in this condensed consolidated interim financial information as a discontinued operation.

Financial information relating to the held for sale business for the six months ended 30 June 2017 is set out below. The statement of profit or loss distinguishes discontinued operations from continuing operations.

Statement of profit or loss information

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**15,823**	27,820
Expenses	**(16,544)**	(23,527)
(Loss)/profit before income tax from discontinued operations	**(721)**	4,293
Income tax	**—**	(1,106)
(Loss)/profit from discontinued operations	**(721)**	3,187
(Loss)/Profit from discontinued operations attributable to:		
Owners of the Company	**(721)**	3,187
Non-controlling interests	**—**	—
	(721)	3,187

The assets and liabilities of the held for sale business are a disposal group. At the date of held for sale classification, the carrying amount of the assets and liabilities were lower than the fair value less cost to sell. Therefore, there are no signs of impairment of the assets and liabilities of the held for sale business as at 30 June 2017.

The major classes of assets and liabilities of the disposal group are as follows:

	As at 30 June 2017 *RMB'000* **(Unaudited)**
Assets classified as held for sale:	
Property, plant and equipment	**9,137**
Intangible assets	**6,163**
Inventories	**23,768**
Other current assets	**58,180**
Total assets of the disposal group	**97,248**
Liabilities directly associated with assets classified as held for sale:	
Trade and other payables	**48,190**
Total net assets of the disposal group	**49,058**

6 BUSINESS COMBINATIONS

On 9 June 2017, the Group completed the acquisition of 100% equity interest in Gao Bei Dian City Guangshuo New Energy Co., Ltd. ("**Guangshuo**") for consideration of RMB91,426,000 (based on the market value of the date). The fair value of identifiable net assets in Guangshuo on the date of acquisition was RMB94,829,000. The fair value of identifiable net assets over the consideration is credited to other gains.

The principal activity of Guangshuo and its subsidiaries is development and operation of solar power plant, with an aggregate installed capacity of approximately 23.51MW.

	Guangshuo
	RMB'000
Purchase consideration	91,426
Recognised amounts of identifiable assets acquired and liabilities assumed	
Provisional fair value:	
Cash and bank balances	5,450
Property, plant and equipment	136,226
Intangible assets	751
Available-for-sale financial assets	6,380
Inventories	33
Receivables	85,103
Payables	(5,157)
Borrowings	(135,200)
Others	1,243
Total identifiable net assets	94,829
Non-controlling interests	(1,960)
Bargain purchase recognised in the consolidated statement of profit or loss *(Note)*	(1,443)
	91,426
Inflow of cash to acquire business, net of cash acquired	
— cash consideration	—
— cash and banks in subsidiaries acquired	5,450
Cash inflow on acquisition	5,450

Note: The main reason giving rise to the bargain purchase was the fact that the present value of net cash inflow for the life of the solar power plants acquired exceeded the total consideration paid.

(a) Revenue and profit contribution

The revenue and net profit included in the interim condensed consolidated statement of profit or loss since 9 June 2017 contributed by Guangshuo was RMB3,264,000 and RMB1,161,000 respectively. If the acquisition had occurred on 1 January 2017, consolidated revenue and consolidated net profit for the half year ended 30 June 2017 would have been RMB304,966,000 and RMB29,727,000 respectively.

7 TRADE AND OTHER RECEIVABLES

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivable	**219,022**	74,204
Notes receivable	**100**	710
Prepayments	**6,128**	25,465
Other receivables	**45,998**	14,045
	271,248	114,424

The ageing analysis of trade receivables is as follows:

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**218,845**	57,726
Over 1 year	**177**	16,478
	219,022	74,204

As at 30 June 2017, the Group's future receivable collection right of solar energy business and primary land development business were pledged as securities for the Group's borrowings.

8 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Six months ended 30 June 2017 (Unaudited)			Six months ended 30 June 2016 (Unaudited)		
	No. of shares	**Amount**	**RMB equivalent**	No. of shares	Amount	RMB equivalent
	(thousands)	***HK$'000***	***RMB'000***	*(thousands)*	*HK$'000*	*RMB'000*
At 1 January	**728,440**	**7,284**	**6,002**	607,440	6,074	4,943
Placing of new shares	**44,820**	**448**	**390**	—	—	—
At 30 June	**773,260**	**7,732**	**6,392**	607,440	6,074	4,943

On 9 June 2017, 44,820,000 ordinary shares with par value of HK$0.01 each were issued with proceeds of HK$104,879,000 (equivalent to RMB91,426,000), of which HK$448,000 (equivalent to RMB390,000) and HK$104,431,000 (equivalent to RMB91,036,000) were credited to share capital and share premium account, respectively.

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax expense	**7,497**	6,933
Deferred income tax expense	**526**	—
	8,023	6,933

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

The statutory tax rate of entities registered in the PRC for the six months ended 30 June 2017 is 25% (six months ended 30 June 2016: 25%), except for certain subsidiaries entitled to exemption or preferential rates.

No provision for Hong Kong profit tax was made as the Group's Hong Kong subsidiaries did not earn any income subject to Hong Kong profit tax during the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2017 and 2016, respectively.

	Six months ended 30 June		
	2017		2016
	Continuing	**Discontinued**	Continuing
	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit/(Loss) attributable to owners of the Company (RMB'000)	**46,486**	**(721)**	42,174
Weighted average number of ordinary shares in issue (thousands)	**733,918**	**733,918**	607,440
Basic earnings per share (RMB)	**0.0633**	**(0.0010)**	0.0694

(b) Diluted

Diluted earnings per share for the six months ended 30 June 2017 is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no dilutive effects on earnings per share for the six months ended 30 June 2016.

	Six months ended 30 June 2017	
	Continuing (Unaudited)	**Discontinued (Unaudited)**
Profit/(Loss) attributable to owners of the Company (RMB'000)	**46,486**	**(721)**
Weighted average number of ordinary shares in issue (thousands)	**733,918**	**733,918**
Adjustments for:		
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (thousands)	**2,154**	**2,154**
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**736,072**	**736,072**
Diluted earnings per share (RMB)	**0.0632**	**(0.0010)**

OVERVIEW

The Group is principally engaged in smart energy and solar energy businesses. The Group's smart energy and solar energy businesses focus on user-side energy services, providing comprehensive smart energy management services through the LongiTech Smart Energy Cloud Platform (the "**Cloud Platform**" or "**Platform**"), including operation and maintenance while energy is in use, enhanced analysis of energy efficiency, distributed supply of multi-energy complementation (including photovoltaic, power storage, etc.), power trade, etc., realizing comprehensive smart management of user-side energy network, help users realize real-time energy adjustment and balance, making the Group the most sophisticated domestic operators of smart energy cloud platforms.

In the first half of 2017, centering around the goals above, the Group deepened the development, upgrade, and application of the Cloud Platform system, continued to expand the number of corporate consumers of energy consumption that enter into contracts with the Group with access to the Group's online services, integrated into big data, and built a standardised system for smart operation and maintenance in the first half of the year; meanwhile, the Group consolidated external resources, strengthened cooperation with offline energy operation and maintenance service providers, laying a solid foundation for the subsequent large-scale promotion of smart energy business by the Group. As a key component of the Group's supply of smart energy multi-energy complementation, distributed solar power plants, particularly home photovoltaic systems, developed rapidly in the first half of the year, and achieved considerable results.

Besides, in the first half of 2017, the Group disposed of its doors, windows, construction, and engineering businesses; disposal of the above non-core businesses allows the Group to focus resources on the development of smart energy and solar energy businesses.

During the Period, the Group's revenue was RMB286,135,000 (the same period of 2016: RMB299,954,000), and the profit attributable to the owners of the Company was RMB45,765,000 (the same period of 2016: RMB42,174,000), representing respectively a decrease of 4.6% and an increase of 8.5% as compared to the same period last year. During the Period, the smart energy and solar energy businesses generated for the Group a revenue of approximately RMB178,148,000 (the same period of 2016: RMB11,824,000), the profit of which attributable to owners of the Company was approximately RMB24,351,000 (the same period of 2016: RMB27,763,000), contributing to 62.3% of the Group's revenue and 53.2% of the Group's profit, respectively. Smart energy and solar energy businesses have become the Group's core business, and the Group has successfully realized transformation of core business.

BUSINESS REVIEW

Smart Energy and Solar Energy Businesses

The Group's smart energy business is mainly, with the demands of customers such as industries, businesses, residences, and public institutions in mind, building the Cloud Platform, through collecting and monitoring the users' energy utilization information, realizing big data integration, and conducting big data analysis. At the same time, the Cloud Platform brings together resources such as equipment providers, electrical energy service providers, and energy efficiency service providers, providing users with detailed, professional, and efficient smart energy services in the entire online and offline energy usage process, creating a complete service system that is new and comprehensive. Currently, the Group's smart energy business focuses on electrical energy, and is conducted surrounding smart operation and maintenance, power trade, energy efficiency analysis, and distributed supply of multi-energy complementation.

Cloud Platform Construction

In terms of construction of the Cloud Platform, during the Period, the Group continued to increase the investment in research and development and strengthen cooperation with external organizations, introduced the 2017 version of the smart energy Cloud Platform. The data collection by the Cloud Platform was upgraded from taking minutes to connect and support to taking only seconds, ahead of the nation, vastly improving the fineness and particularity of the data, and the platform's fine management and control capabilities and analysis and service capabilities were significantly strengthened. The Group also completed the construction and online access of electricity operation and maintenance phase 1 platform, fully supporting the development of the "Internet+" — based online-to-offline (O2O) smart operation and maintenance business, providing strong data support and protection for the Group's development of smart operation and maintenance business. Meanwhile, with the mobile-end upgrade of the Cloud Platform, users can see their energy usage, operation and maintenance, efficiency management and other relevant conditions real-time through a mobile phone APP; it also widely supports Android and IOS types mobile devices, significantly improving user experience and convenience of service. As at the date of this announcement, the Group has entered into contracts with approximately 2,550 corporate customers of energy consumption, among which approximately 230 have already connected real-time to the Cloud Platform system, amounting to approximately 11,700 accrued connected monitoring points.

Smart Operation and Maintenance

In terms of smart operation and maintenance, the Group focuses on servicing electricity users of 110kV or below, based on energy big data, providing customers with professional and smart operation and maintenance services, such as daily checks, inspection and repairs, emergency repairs, preventive tests, and energy consumption statements, helping our customers regulate electricity usage, ensure electricity usage safety, and enhance energy utilization efficiency.

During the Period, the Group has also completed the preparation and issuance of the smart operation and maintenance standardized operating system, and was test-run in the contracted demonstration zone. At the same time, the Group actively extended external resources, pushing ahead the cooperation with offline external operation and maintenance service providers through such formats as equity cooperation and project cooperation, laying a solid foundation for the Company's subsequent large-scale and standardized promotion of the smart operation and maintenance business.

Power Trade

In terms of power trade, by integrating energy consumers through the Cloud Platform, based on big data analysis, the Group conducts load predictions, auction analysis, electricity purchase and sales management on the customers' energy usage, realizing precision marketing of energy purchase and sales.

In February 2017, Hebei Fakai Energy Development Company Limited ("**Fakai Energy Company**"), a wholly-owned subsidiary of the Company, obtained eligibility to sell energy, and can directly commenced electricity purchase and sales business between power-generating corporates and users. As at the date of this announcement, the trading volume that the Group has acted as an agent of the purchase and sale of electricity business is about 210 million kWh.

Energy Efficiency Analysis

In terms of energy efficiency analysis, the Group relies on the big data mining and analysis capabilities of the Cloud Platform, with such users from industries, businesses, residences and public institutions, the Company conducts real-time monitoring of users' electricity usage conditions, building multi-dimensional analysis models using big data technology, conducting statistics, analysis, and diagnosis on (including) users' electricity usage behavior, energy consumption status of key equipment, and customers' load features, exploring our customers' rooms for energy saving and providing solutions, helping our customers save energy, reduce emission, and raise energy usage.

During the Period, the Group has built the Cloud Platform's energy efficiency analysis framework and demand analysis modules, and started energy efficiency analysis services in some of the pilot enterprises.

Distributed Supply of Multi-energy Complementation

Distributed supply of multi-energy complementation refers to building distributed energy such as distributed solar power plant, energy storage, and joint provision of heat, electricity, and cooling on the user side, complementary to the existing municipal power supply, through smart management of the Cloud Platform, realizing synergy and complementary usage across various energies, so as to achieve real-time balance of energies, enhance comprehensive usage efficiency of energies, and building a rich, clean, and low-carbon energy supply system.

In the first half of 2017, in terms of distributed supply of multi-energy complementation, the Group mainly focused on the development of the distributed solar power stations business, mainly including industrial and commercial distributed solar power stations, as well as home photovoltaic systems.

(i) *Industrial and Commercial Distributed Solar Power Stations*

In June 2017, the Group acquired all 7 distributed solar power stations held by the connected vendor, all of which have been connected to the power grid and generating power. After the completion of the transaction, the Group holds an accrued total of 10 solar power stations, with an aggregate installed capacity of approximately 54MW. All of these power stations have been connected to the power grid and have been generating power stably.

During the Period, the details of the solar power stations held by the Group and their power generation are as follows:

As at 30 June 2017

Number	**Project name**	**Aggregate installed capacity** *(MW)*	**Power generation** *(MWh)*
1	Baiyangdian, Hebei	0.37	255
2	Chest Hospital, Hebei	0.09	48
3	Gaocheng Xingan, Hebei	6.63	4,148
4	Baigou New Town, Hebei	9.52	6,556
5	Jiangmen Lingzhi, Guangdong	1.00	496
6	Xiangsheng, Shandong	5.10	3,046
7	Hongze Baolijia, Jiangsu	4.77	2,829
8	Hongze Yutian Gangbo, Jiangsu	1.20	721
9	Huaian, Jiangsu	5.03	3,035
10	Longhua, Hebei *(Note)*	20.00	15,680
Subtotal		53.71	36,814

Note: That power plant is a ground power plant.

(ii) *Home Photovoltaic System*

Regarding the family user-facing solar energy power station system ("**home system**") that the Group has started to develop at the end of 2016, through leveraging on the Group's technology and accumulated experience in the solar photovoltaic industry, and by using the "Cloud Families" brand and the dealership model, the Group expands into the home photovoltaic market strongly. In terms of promotion regions, with Hebei as the core, the Group has expanded quickly into Zhejiang, Shanxi, Shandong, Hunan, Henan, Liaoning, Heilongjiang, etc., fundamentally forming a national layout. During the Period, the Group's contracted sales of the home systems amounted to approximately 33.6MW, actual shipments amounted to approximately 31MW, and the number of users amounted to 3,800. Meanwhile, all the home systems installed by users will be connected to the Cloud Platform system. Agents and users can check the real-time conditions such as power generation, operation and maintenance, and faults of their home systems through the internet and the mobile phone APP, realizing smart monitoring of the operations of home systems.

Because of the Group's performance in the distributed solar power sector, in August 2017, the Group was awarded the "2017 Outstanding Innovation Award in Distributed Energy in China" (2017中國分佈式能源傑出創新獎) at the 13th International Symposium for Chinese Distributed Energy, organized by China Energy Research Society Distributed Energy Professional Committee and China Communication Industry Association Energy Internet Branch, and undertaken by China Energy Net. The Group was also awarded the "2017 Grade 1 Award for Outstanding Distributed Energy Projects in China" (2017年中國分佈式能源優秀項目一等獎) for its commercial rooftop distributed power station project in Baigou New Town, Hebei.

During the Period, the smart energy and solar energy businesses generated a revenue of approximately RMB178,148,000 (the same period of 2016: RMB11,824,000) for the Group, while the profit attributable to owners of the Company was approximately RMB24,351,000 (the same period of 2016: RMB27,763,000), which recorded a significant increase of 1,406.7% and a slight decrease of 12.3%, respectively, compared to the same period of last year. The decrease in profit attributable to owners of the Company was due primarily to the fact that the profit for the same period of last year included gain on bargain purchase amounting to approximately RMB23,979,000 (the same period of this year: RMB1,443,000); after removing the impact of such factor, the profit increased by 505.4% as compared to the same period of last year.

Primary Land Development Business

The primary land development business refers to the primary land development and the public infrastructure construction businesses of the Baoding Donghu project (the "**Baoding Donghu Project**"). During the Period, the Baoding Donghu Project generated a revenue of approximately RMB107,987,000 (the same period of 2016: RMB260,310,000) and the profit attributable to owners of the Company of approximately RMB26,244,000 (the same period of 2016: RMB17,040,000). As the Group's core business will be smart energy and solar energy businesses, after the completion of the Baoding Donghu Project, the Group does not plan to further develop the primary land development business in the future.

MARKET OUTLOOK

As the global energy problem becomes increasingly apparent and with the vigorous development of information technology, global energy is undergoing long-term changes and becoming cleaner and lower in carbon. As the world's largest producer, consumer, and investor of renewable energies, China is committed to global environmental management and energy construction by proactively executing the Paris Accords, making China's contribution to responding to climate change and fostering energy transformation in the world.

At the end of 2016, the Chinese government gradually announced the 13th Five-Year Plan for the development of the energy industry, guiding and fostering the improvement and upgrade of China's energy structure. Meanwhile, under the demands of the society, the improvement of internet technologies and the government's facilitation, the production, transmission, and consumption of "Internet +" has a huge impact on enhancing energy efficiency, and smart energy is in turn developed rapidly. In the first half of 2017, National Energy Administration promulgated the first batch of 55 "Internet+" smart energy demonstration projects. Meanwhile, according to the plans pushing the construction of smart cities by relevant authorities of the state, it is expected that by the end of 2017, the number of smart city construction commencement and smart city in progress in the PRC will exceed 500, the market size of smart city construction will be in the hundreds of billions of Renminbi. If other upstream and downstream industry chains are considered, such as information technology and data analysis, the overall market size could amount to thousands of billions of Renminbi, providing a broad development platform for the development of "Internet +" smart energy business. With regard to the electricity distribution and sales, as China fully lays out the electric power system reforms, various provinces, including Hebei, gradually announced their lists of corporate entry in direct power supply transactions, significantly enhancing the diversity of power supply transactions, boosting the proactive participation in electricity sales by private capital.

2017 is also the first year of the commencement of China's home photovoltaic market, and the market space is enormous. During the 13th Five-Year Plan, the Chinese government plans to develop approximately 60GW of distributed photovoltaic. As of the first half of 2017, according to statistical data from the National Energy Administration, the installed capacity of distributed photovoltaic is at approximately 17GW, with the gap at approximately 43GW. Concurrently, the growth rate of newly installed distributed photovoltaic has already exceeded ground centralised photovoltaic power plant. There is a significant change in the attention gained, policy preference, etc. Each of the industrial and commercial photovoltaic and home photovoltaic has their own development features, and the distributed photovoltaic industry enters a period of rapid development.

In light of the industry's development trend and the strong support of national policies, in the second half of 2017, the Group will, on the basis of existing work products, continue the forging and upgrade of online and offline businesses, to support the comprehensive development of the Group's different businesses in terms of smart energy and solar energy. In respect of the online business, the Group will continue to optimize, improve, and upgrade the hardware and software of the Cloud Platform, establish the standardized system version 2.0 for smart operation and maintenance business, the energy efficiency analysis business, and a data quality and evaluation system for the Cloud Platform, etc. All these will lay a sound foundation for the rapid development and full replication of the Group's smart energy business. In respect of the offline business, apart from continuing the promotion and construction of data sub-systems for major enterprises in Hebei Province, the Group will focus on contracted customers of the sub-systems, and promote businesses in respect of smart operation, electricity sales, energy efficiency analysis, supply of multi-energy complementation, etc. Meanwhile, through cooperating with external operators, the Group will conduct replicated promotion to areas such as the Pearl River Delta and the Yangtze River Delta. With regard to distributed multi-energy complementation, the Group will leverage on the experience accumulated in the photovoltaic industry to continue pushing the development of distributed photovoltaic, in particular that of home photovoltaic systems, focusing on Hebei, and commit to becoming the number one home photovoltaic brand in Hebei; concurrently, the Group will actively develop the markets in Shanxi, Northeastern China, Shandong, Zhejiang, Henan, Anhui, Hunan, etc., promoting and developing home systems business nationwide.

Looking ahead the future, opportunities and challenges coexist, while developing rapidly, the Group will also focus on internal management and risk control, so as to realize dynamic balance, help corporates save energy and reduce emission, aid the green development of the nation, and create sustainable returns for our shareholders.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group's revenue and gross profit from continuing operations for the Period amounted to RMB286,135,000 (the same period of 2016: RMB299,954,000) and RMB87,806,000 (the same period of 2016: RMB38,864,000), respectively. Gross profit increased by 125.9% as compared to the same period of last year. Revenue and gross profit from the smart energy and solar energy businesses were RMB178,148,000 (the same period of 2016: RMB11,824,000) and RMB61,246,000 (the same period of 2016: RMB8,475,000) respectively, representing an increase of 1,406.7% and 622.7% respectively as compared to the same period of last year. The increases in gross profit was mainly attributable to the growth in the revenue and gross profit from the smart energy and solar energy businesses.

Selling and distribution expenses

Selling and distribution expenses incurred by the Group for the Period was RMB8,041,000 (the same period of 2016: RMB855,000), representing an increase of 840.5% as compared to the same period of last year. The increase for the Period was mainly due to the increase in the marketing expenses for smart energy business.

Administrative expenses

Administrative expenses incurred by the Group for the Period was RMB22,477,000 (the same period of 2016: RMB8,767,000), representing an increase of 156.4% as compared to the same period of last year. The increase for the Period was mainly due to increase in the operating costs of the smart energy and solar energy businesses.

Finance expenses — net

The Group's net finance costs for the Period amounted to RMB6,260,000 (the same period of 2016: RMB3,646,000), representing an increase of 71.7% as compared to the same period of last year. The increase for the Period was mainly due to borrowing costs for solar power stations.

Income tax

The Group's income tax expenses for the Period were RMB8,023,000 (the same period of 2016: RMB6,933,000), representing an increase of 15.7% as compared to the same period of last year. The increase for the Period was mainly due to income tax costs for the sales of home photovoltaic systems under the smart energy and solar energy businesses.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

As at 30 June 2017, bank balances and cash were approximately RMB384,014,000 (31 December 2016: RMB205,333,000), of which approximately RMB300,146,000 (31 December 2016: RMB296,000) were restricted bank balances and cash (only available for payment of expenses incurred by the Baoding Donghu Project). Such increase was mainly due to bank loans taken out for the project investment expenses of the Baoding Donghu Project.

Total current assets and liquidity ratio

As at 30 June 2017, total current assets and liquidity ratio (total current assets/total current liabilities) were approximately RMB1,437,875,000 (31 December 2016: RMB955,121,000) and 4.53 (the same period of 2016: 3.36) respectively. The increase in total current assets was primarily due to increases in bank balances and cash, as well as accounts receivables; the liquidity ratio remained flat in general.

External borrowings and pledge of assets

As at 30 June 2017, the Group had an external borrowing of RMB1,194,954,000 (31 December 2016: RMB704,329,000), of which RMB323,600,000 was secured by certain machineries of solar power plants with original cost of RMB349,591,000 and future receivable collection right of certain subsidiaries, and RMB571,354,000 was secured by future receivable collection right of certain subsidiaries (31 December 2016: RMB208,600,000 was secured by certain machineries of solar power plants with original cost of RMB185,660,000 and future receivable collection right of certain subsidiaries, and RMB495,639,000 was secured by future receivable collection right of certain subsidiaries).

Gearing Ratio

The following table sets out the calculation of the gearing ratio of the Group as at the date indicated:

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Bank loans	**1,194,954**	704,239
Less: Cash and cash equivalents	**(83,868)**	(205,037)
Restricted cash	**(300,146)**	(296)
Net debt	**810,940**	498,906
Total equity	**445,601**	306,882
Total capital (Net debt plus total equity)	**1,256,541**	805,788
Gearing ratio (Net debt/total capital)	**64.5%**	61.9%

As at 30 June 2017, the gearing ratio of the Group was 64.5%, increased by 2.6 percentage points as compared to the gearing ratio of 61.9% as at 31 December 2016. The increase was primarily due to the increase in the balance of loans. The debts of the Group mainly consist of long-term debts, representing 94.3% (31 December 2016: 95.0%) of total debts. In particular, the borrowings for solar energy business amounting to RMB323,600,000 (31 December 2016: RMB208,600,000) were repaid progressively with the proceeds from the sale of electricity, while the borrowings for the Baoding Donghu Project amounting to RMB871,354,000 (31 December 2016: RMB495,639,000) will be repaid progressively by the project settlements received from the Baoding government in the second half of 2017 and the subsequent years. Therefore, the Group is not exposed to any significant insolvency risk.

Interest rate risk

The Group's interest rate risk arises primarily from its external borrowings. During the Period, interest rates of external borrowings ranged from 5.39% to 7.5% per annum (31 December 2016: 5.39% to 7.5% per annum). In particular, the interests on the borrowings incurred by the Baoding Donghu Project were borne by the government, resulting in no exposure to any interest rate risk thereon. The interest rate applicable to the borrowings for solar power stations was 10% to 15% over the same period base lending rate of the People's Bank of China. The source of risk lies in the fluctuations in China's exchange rate policies. Nevertheless, the Group expects that the interest rate risk would have no material impact on the Group's consolidated profit or loss.

Exchange risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The Group currently does not have a policy on foreign currency risk as it had minimal transactions denominated in foreign currencies during the Period and the impact of foreign currency risk on the Group's operation is minimal.

Capital commitments

The Group had capital commitments amounting to approximately RMB2,950,000 as at 30 June 2017 (31 December 2016: RMB24,331,000).

Contingent liabilities

As at 30 June 2017, the Group did not have any material contingent liabilities (31 December 2016: Nil).

MATERIAL ACQUISITIONS AND DISPOSAL

Acquisitions

On 27 April 2017, Long Ji Tai He Investment Holding Limited, an indirect wholly-owned subsidiary of the Company (as the purchaser), entered into equity transfer agreements with Lightway Power Holdings Limited (as the first vendor) and Fountain Crest Limited (as the second vendor), for the acquisition of 100% equity of Gao Bei Dian City Guangshuo New Energy Co., Ltd. ("**Guangshuo**"). The aggregated consideration of RMB129,978,000 was determined after arm's length negotiations with reference to the consolidated net asset value of Guangshuo as at 31 March 2017 and was satisfied by the Company through the issuance of 44,820,000 shares of the Company ("**Shares**") at the issue price of HK$2.90 per Share to the vendors. Guangshuo owns and operates 7 distributed solar power stations that have been connected to the national power grid, with an aggregate installed capacity of 23.51MW.

For details, please refer to the announcements of the Company dated 27 April 2017, 7 June 2017 and 9 June 2017 respectively and the circular dated 25 May 2017.

Disposal

On 29 June 2017, the Company (as the vendor) entered into a disposal agreement with Marvel Asia Trading Limited (as the purchaser), for the sale of 100% equity interest of the Company's wholly-owned subsidiary, Trade Up Business Limited ("**Trade Up**"), and the transfer of shareholder loans. The total disposal consideration was HK$56,672,000, which was determined after arm's length negotiations between the parties with reference to the consolidated net asset value of Trade Up and its subsidiaries as at 31 May 2017. It is expected that the disposal will generate a revenue of approximately RMB1,030,000 (subject to final audit review). Trade Up controls the Company's doors, windows, construction, and engineering businesses in the PRC. This disposal allows the Group to organize its business, consolidate resources, and focus on developing the Group's smart energy and solar energy businesses.

For details, please refer to the announcement regarding a discloseable transaction of the Company dated 29 June 2017.

Save as disclosed above, during the Period, the Group has no other material acquisitions or disposals.

Significant Investment

During the six months ended 30 June 2017, the Group has no significant investment.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 353 employees as at 30 June 2017 (the same period of 2016: 93 employees). The increase in the number of employees was due to the expansion of the smart energy and solar energy businesses. Employees were remunerated according to the nature of their positions, individual qualification, performance, experience and market trends, and subject to periodic reviews based on their performance. Meanwhile, to attract and retain high-caliber employees to ensure smooth operation and cater for the Group's constant expansion, the Group offers competitive remuneration and benefit packages to employees at different levels, including discretionary bonuses, various training programmes, sponsorship for further study and share option scheme for the benefit of the directors and eligible employees of the Group.

COMPLIANCE WITH THE CG CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company had complied with all the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the Period, except for the following deviation:

Mr. Wei Qiang, an executive director, is both the chief executive officer and the chairman of the Board. According to Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board is of the opinion that, with the Company now being at a stage of rapid development, the current structure could improve the Company's effectiveness and efficiency in reaching its business goals. The Board also believes that this arrangement will not be detrimental to the balance of power and authority between the chairman and the chief executive officer, while a higher ratio of non-executive directors (including independent non-executive directors) will enable the Board to make unbiased judgments more effectively.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the securities transactions of the Directors.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that, during the Period, they had complied with the Model Code.

REVIEW OF INTERIM RESULTS

The condensed interim consolidated financial information is unaudited but has been reviewed by the external auditor of the Company.

The audit committee of the Company (the "**Audit Committee**"), together with the management, has also reviewed the Group's unaudited condensed interim consolidated financial information for the Period. The Audit Committee is of the opinion that such financial information has complied with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosure has been made. The Audit Committee has also reviewed this interim report and confirms that it is complete and accurate and complies with the Listing Rules.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend in respect of the Period (for the six months ended 30 June 2016: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION

The interim results announcement of the Company for the Period is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.longitech.hk) respectively. The 2017 interim report will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
LongiTech Smart Energy Holding Limited
Wei Qiang
Chairman

Hong Kong, 25 August 2017

As at the date of this announcement, Mr. Wei Qiang, Mr. Wang Hui and Dr. Liu Zhengang are the executive directors of the Company, Mr. Wei Shaojun is a non-executive director, and Dr. Han Qinchun, Mr. Wong Yik Chung John and Mr. Han Xiaoping are the independent non-executive directors.