隆基泰和智慧能源
LONGITECH SMART ENERGY

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") of LongiTech Smart Energy Holding Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2016 as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2017

	Note	**Year ended 31 December**	
		2017	2016
		RMB'000	*RMB'000*
			Restated
Continuing operations			
Revenue	*3(a)*	**897,902**	563,913
Cost of sales	*5*	**(637,422)**	(495,470)
Gross profit		**260,480**	68,443
Selling and distribution expenses	*5*	**(24,519)**	(1,338)
Administrative expenses	*5*	**(68,190)**	(21,369)
Other gains-net	*4*	**9,518**	25,841
Profit from operations		**177,289**	71,577

Consolidated Statement of Profit or Loss (Continued)
For the year ended 31 December 2017

	Note	**Year ended 31 December 2017** *RMB'000*	2016 *RMB'000* Restated
Finance income		**610**	633
Finance expenses		**(19,845)**	(9,662)
Finance expenses — net		**(19,235)**	(9,029)
Profit before income tax		**158,054**	62,548
Income tax expense	*6*	**(22,328)**	(12,321)
Profit for the year from continuing operations		**135,726**	50,227
Discontinued operation			
(Loss)/profit for the year from discontinued operations		**(238)**	1,719
Profit for the year		**135,488**	51,946
Profit attributable to:			
Owners of the Company		**135,197**	51,456
Non-controlling interests		**291**	490
		135,488	51,946
Profit/(loss) attributable to owners of the Company arises from:			
Continuing operations		**135,435**	49,737
Discontinued operations		**(238)**	1,719
		135,197	51,456

Consolidated Statement of Profit or Loss (Continued)
For the year ended 31 December 2017

	Note	Year ended 31 December	
		2017	2016
		RMB	*RMB*
			Restated
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the year			
Basic earnings per share			
From continuing operations	*7(a)*	**0.1712**	0.0796
From discontinued operations	*7(a)*	**(0.0003)**	0.0028
		0.1709	0.0824
Diluted earnings per share			
From continuing operations	*7(b)*	**0.1709**	0.0796
From discontinued operations	*7(b)*	**(0.0003)**	0.0028
		0.1706	0.0824

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
		Restated*
Profit for the year	**135,488**	51,946
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(4,173)**	2,831
Other comprehensive (loss)/income for the year, net of tax	**(4,173)**	2,831
Total comprehensive income for the year	**131,315**	54,777
Attributable to:		
Owners of the Company	**131,024**	54,287
Non-controlling interests	**291**	490
Total comprehensive income for the year	**131,315**	54,777
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	**131,262**	52,568
Discontinued operations	**(238)**	1,719
	131,024	54,287

Consolidated Balance Sheet

As at 31 December 2017

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
Assets			
Non-current assets			
Leasehold land and land use rights		**1,634**	8,240
Property, plant and equipment		**480,349**	271,826
Investment properties		**9,000**	—
Intangible assets		**38,475**	24,431
Deferred tax assets		**569**	—
Other non-current assets		**17,510**	12,878
		547,537	317,375
Current assets			
Inventories		**25,815**	27,618
Trade and other receivables	*8*	**769,555**	114,424
Amount due from customers for contract work		**500,316**	604,746
Available-for-sale financial assets		**—**	3,000
Restricted cash		**1,679**	296
Cash and cash equivalents		**107,022**	205,037
		1,404,387	955,121
Total assets		**1,951,924**	1,272,496
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*10(a)*	**7,629**	6,002
Reserves		**555,658**	212,257
Retained earnings		**210,300**	88,623
		773,587	306,882
Non-controlling interests		**1,214**	—
Total equity		**774,801**	306,882

Consolidated Balance Sheet (Continued)
As at 31 December 2017

	Note	**As at 31 December** **2017** *RMB'000*	2016 *RMB'000*
Liabilities			
Non-current liabilities			
Borrowings		**647,305**	668,864
Deferred government grants		**2,493**	2,600
Deferred tax liabilities		**12,554**	9,856
		662,352	681,320
Current liabilities			
Receipts in advance		**738**	13,975
Trade and other payables	*11*	**202,114**	210,737
Current income tax liabilities		**25,679**	24,207
Borrowings		**286,240**	35,375
		514,771	284,294
Total liabilities		**1,177,123**	965,614
Total equity and liabilities		**1,951,924**	1,272,496

Notes to the Financial Statements

For the year ended 31 December 2017

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 Streets, PO Box 1350, Grand Cayman KY1-1108, the 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 businesses ("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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost conversion, as modified by the revaluation of available-for-sale financial instruments which are carried at fair value.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

2.1.1 *Changes in accounting policy and disclosures*

(a) *New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses — Amendments to IAS 12,
- Disclosure initiative — amendments to IAS 7,
- Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2,
- Annual Improvements to IFRS Standards 2014–2016 Cycle, and
- Transfers of Investment Property — Amendments to IAS 40.

The adoption of these amendments did not have any significant impact on the current period or any prior periods and is not likely to affect future periods.

(b) *New standards and interpretations not yet adopted*

Impact of new and amended standards and interpretations that are effective on or after 1 January 2018.

The following new and amended standards and interpretations to existing standards which have been issued but are effective for the fiscal year beginning on or after 1 January 2018 have not been early adopted by the Group:

		Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contract	1 January 2021
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRS 4	Insurance Contracts	1 January 2018 or when the entity first applies IFRS 9
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 40	Transfers of Investment Property	1 January 2018

None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments'

The new standard 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 financial assets currently held by the Group include debt instruments currently classified as loans and receivables which would likely continue to be measured at an amortised cost. 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. Based on the assessments undertaken as at the date of this announcement, the Group does not expect the new guidance to have significant impact on the provision for impairment.

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.

The impacts on the Group's financial results and position upon the adoption of IFRS 9 are not expected to be material. The Group does not intend to adopt IFRS 9 before its mandatory date.

IFRS 15, 'Revenue from contracts with customers'

The IASB 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.

Management is currently assessing the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that will be affected:

- Presentation of contract assets and contract liabilities in the balance sheet — IFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This will result in some reclassifications as of 1 January 2018 in relation to amounts due from customers and amounts due to customers for contract work which are currently included in separate balance sheet line items.

More detailed assessments will be carried out by the Group to estimate the impact of the new rules on the Group's financial statements.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

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 RMB14,647,000. 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 financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
		Restated
Continuing operations:		
Sales of home photovoltaic system and provision of smart energy service	**594,268**	13,102
Sales of electricity	**61,680**	28,522
Primary land development business	**241,954**	522,289
	897,902	563,913
Discontinued operations:		
Sales of doors and windows	**15,713**	41,270
Provision of construction and engineering services	**110**	1,954
	15,823	43,224
	913,725	607,137

The Group has two customers (2016: one customer) with whom transactions have exceeded 10% of the Group's revenue respectively, of which one customer is relating to sales of home photovoltaic system and the other is relating to primary land development business. In 2017, revenue from these customers amounted to RMB741,035,000 (2016: RMB522,289,000).

(b) Segment reporting

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:

— Primary land development business; and

— Smart energy and solar energy businesses.

Primary land development business refers 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.

(c) Segment results, assets and liabilities

	Smart energy and solar energy businesses *RMB'000*	Primary land development business *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2017				
Revenue from external customers	655,948	241,954	15,823	913,725
Reportable segment profit/(loss) after tax	119,185	31,595	(15,292)	135,488
Interest income from bank deposits	110	305	195	610
Interest expense	(15,195)	(4,646)	—	(19,841)
Depreciation and amortisation	(26,848)	(84)	(145)	(27,077)
As at 31 December 2017				
Reportable segment assets	1,699,202	753,608	144,820	2,597,630
Additions to non-current segment assets during the year	269,077	—	219	269,296
Reportable segment liabilities	1,154,577	667,918	334	1,822,829
For the year ended 31 December 2016				
Revenue from external customers	41,624	522,289	43,224	607,137
Reportable segment profit/(loss) after tax	27,111	34,952	(10,117)	51,946
Interest income from bank deposits	98	507	28	633
Interest expense	(8,794)	(868)	—	(9,662)
Depreciation and amortisation	(9,587)	(163)	(3,254)	(13,004)
As at 31 December 2016				
Reportable segment assets	510,127	660,723	223,972	1,394,822
Additions to non-current segment assets during the year	296,259	605	378	297,242
Reportable segment liabilities	424,955	606,628	56,357	1,087,940

(d) **Reconciliations of reportable segment revenue, profit or loss, assets and liabilities**

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**913,725**	607,137
Elimination of discontinued operations	**(15,823)**	(43,224)
Consolidated turnover	**897,902**	563,913
Profit after tax		
Reportable segment profit	**135,488**	51,946
Elimination of discontinued operations	**238**	(1,719)
Consolidated profit for the year from continuing operations	**135,726**	50,227
Assets		
Reportable segment assets	**2,597,630**	1,394,822
Elimination of inter-segment receivables	**(645,706)**	(122,326)
Consolidated total assets	**1,951,924**	1,272,496
Liabilities		
Reportable segment liabilities	**1,822,829**	1,087,940
Elimination of inter-segment payables	**(645,706)**	(122,326)
Consolidated total liabilities	**1,177,123**	965,614

4 OTHER GAINS-NET

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
		Restated
Bargain purchase gain *(Note 12)*	**7,943**	25,138
Fair value gains on investment properties	**2,125**	—
Government grants	**107**	700
Net gains on disposal of property, plant and equipment	**—**	14
Net foreign exchange losses	**(1,061)**	—
Others	**404**	(11)
	9,518	25,841

5 EXPENSE BY NATURE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
		Restated
Raw materials and consumables	**410,044**	5,621
Subcontract costs	**201,053**	467,166
Employee benefit expense	**45,654**	16,109
Depreciation and amortisation	**27,077**	13,004
Transportation and travelling expenses	**11,491**	2,400
Rental expenses	**6,743**	1,990
Promotion and advertising expenses	**6,496**	270
Consulting and legal fees	**5,852**	2,211
Bad debt provisions *(Note 8)*	**3,791**	—
Auditor's remuneration		
— Audit services	**2,400**	2,000
— Non-audit services	**—**	—
Changes in inventories of finished goods and work in progress	**3**	934
Others	**9,527**	6,472
Total cost of sales, selling and distribution expenses and administrative expenses	**730,131**	518,177

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
		Restated
Current income tax	**22,365**	12,321
Deferred income tax	**(37)**	—
	22,328	12,321

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
		Restated
Profit before tax	**158,054**	62,548
At applicable statutory income tax rates	**39,514**	15,637
Effect of preferential tax rates	**(20,449)**	(1,084)
Bargain purchase gain not subject to tax	**(1,986)**	(6,285)
Tax losses for which no deferred income tax asset was recognised	**8,567**	3,950
Recoverable income tax of primary land development business	**(3,318)**	—
Others	**—**	103
Tax charge *(Note)*	**22,328**	12,321

The expiry date of the tax effect of unused tax losses is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Year 2020	**1,155**	1,155
Year 2021	**3,950**	3,950
Year 2022	**8,567**	—
	13,672	5,105

Note:

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 year end 31 December 2017 is 25% (2016: 25%), except for certain subsidiaries entitled to exemption or preferential rates.

As at 30 November 2017, Hebei LongiTech Cloud Energy Technology Company Limited ("**Hebei Cloud Energy**") was certified as a High-Tech Enterprise of Hebei Province (河北省高新技術企業), effective from 1 January 2017 to 31 December 2019. During the three years, Hebei Cloud Energy will enjoy the preferential income tax rate of 15% (25% before the recognition).

Subsidiaries operating solar power stations will be exempted from corporate income tax for the first three years and are entitled to a 50% tax reduction for the subsequent three years (三免三減半) since their respective first revenue-generating years.

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 year ended 31 December 2017 (2016: nil).

7 EARNINGS PER SHARE

(a) Basic earnings per share

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 year.

	Year ended 31 December	
	2017	2016 Restated
Profit from continuing operations attributable to owners of the Company (RMB'000)	**135,435**	49,737
Loss from discontinued operations attributable to owners of the Company (RMB'000)	**(238)**	(1,719)
	135,197	51,456
Weighted average number of ordinary shares in issue (thousands)	**791,225**	624,678
Basic earnings per share (RMB)		
— Continuing operations	**0.1712**	0.0796
— Discontinued operation	**(0.0003)**	0.0028
	0.1709	0.0824

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2017, the Company had share options. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. There were no dilutive effect on earnings per share for the year ended 31 December 2016 as the Group had no dilutive potential ordinary shares.

	Year ended 31 December	
	2017	2016
		Restated
Profit from continuing operations attributable to owners of the Company (RMB'000)	**135,435**	49,737
Loss from discontinued operations attributable to owners of the Company (RMB'000)	**(238)**	1,719
	135,197	51,456
Weighted average number of ordinary shares in issue (thousands)	**791,225**	624,678
Effect of deemed issue of shares under the Company's share option scheme for no consideration (thousands) *(Note)*	**1,352**	—
Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands)	**792,577**	624,678
Diluted earnings per share (RMB)		
— Continuing operations	**0.1709**	0.0796
— Discontinued operations	**(0.0003)**	0.0028
	0.1706	0.0824

Note: The number of shares that would have been issued assuming the exercise of the share option less number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration.

8 TRADE AND OTHER RECEIVABLES

(a) Trade and other receivables in the consolidated balance sheet comprise:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**475,845**	58,252
Tariff adjustment receivables	**44,785**	15,952
Total trade receivables	**520,630**	74,204
Provision for impairment	**(3,791)**	—
	516,839	74,204
Notes receivables	**712**	710
Prepayments	**11,980**	25,465
Other receivables	**240,024**	14,045
	769,555	114,424

As at 31 December 2017, the future receivable collection rights of industrial and commercial distributed power stations and primary land development business were pledged as securities for the Group's borrowings.

(b) Ageing analysis of trade receivables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**503,106**	57,726
Over 1 year	**17,524**	16,478
	520,630	74,204

Trade receivables are due within 30 to 90 days from the date of billing. As at 31 December 2017, the trade receivables aged over 1 year amounted to RMB17,524,000 represent tariff adjustment receivables.

As at 31 December 2017, impairment of RMB3,791,000 was made for doubtful debt (2016: nil).

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Neither overdue nor impaired	**444,824**	57,726
Overdue and impaired	**3,791**	—
Overdue but not impaired	**72,015**	16,478
	520,630	74,204

The ageing of impaired trade receivables is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
90 days to 1 year	**3,791**	—

Movement in the position for impairment of trade receivables that are assessed for impairment collectively are as follows:

	RMB'000
At 1 January 2017	**—**
Provision for impairment recognised during the year	**3,791**
At 31 December 2017	**3,791**

(c) The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
HK$	**849**	1,518
RMB	**768,706**	112,906
	769,555	114,424

(d) As at 31 December 2017, the carrying amounts of trade and other receivables approximated their fair values.

9 DISCONTINUED OPERATIONS

(i) Description

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 businesses, which mainly consists of Tianjin Lion Window and Door Company Limited and Dalian Kai Shi Construction and Engineering Company Limited (the "**Subsidiaries**"). The transaction was completed on 4 July 2017. The financial results of these Subsidiaries are reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below. The statement of profit or loss and statement of cash flow distinguish discontinued operations from continuing operations. Comparative figures have been represented.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented below are for the years ended 31 December 2017 and 2016:

	2017	**2016**
	RMB'000	*RMB'000*
Revenue *(Note 3(a))*	**15,823**	43,224
Expenses	**(16,544)**	(41,068)
(Loss)/profit before income tax	**(721)**	2,156
Income tax expense	**—**	(437)
(Loss)/profit after income tax of discontinued operations	**(721)**	1,719
Gain on sale of the subsidiaries after income tax	**483**	—
(Loss)/profit from discontinued operation	**(238)**	1,719
Other comprehensive income from discontinued operations	**—**	—
Total comprehensive (loss)/income from discontinued operations	**(238)**	1,719
Net cash outflow from operating activities	**(873)**	(2,524)
Net cash inflow from investing activities (2017 includes an inflow of RMB49,541,000 from the sale of the Subsidiaries)	**49,541**	—
Net increase/(decrease) in cash from discontinued operations	**48,668**	(2,524)

(iii) Details of the sale of the subsidiaries

	2017 RMB'000	2016 RMB'000
Consideration received in cash	**49,541**	—
Carrying amount of net assets sold	**(49,058)**	—
Gain on disposal of the subsidiaries	**483**	—

10 SHARE CAPITAL AND RESERVES

(a) Share capital

Authorised and issued share capital

	As at 31 December			
	2017		2016	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000

Ordinary shares, issued and fully paid:

	2017			2016		
	No. of shares	**Amount**	**RMB equivalent**	No. of shares	Amount	RMB equivalent
	'000	***HK$'000***	***RMB'000***	*'000*	*HK$'000*	*RMB'000*
At 1 January	**728,440**	**7,284**	**6,002**	607,440	6,074	4,943
Placing of new shares *(Note)*	**190,508**	**1,905**	**1,627**	121,000	1,210	1,059
At 31 December	**918,948**	**9,189**	**7,629**	728,440	7,284	6,002

Notes:

(i) On 9 June 2017, 44,820,000 ordinary shares with par value of HK$0.01 each were issued in relation to the acquisition of Guo Bei Dian City Guangshuo New Energy Co., Ltd. ("**Guangshuo**"). In the result of the issued consideration shares 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.

(ii) On 28 September 2017, 145,688,000 ordinary shares with par value of HK$0.01 each were issued with proceeds of HK$286,162,000 (equivalent to RMB242,923,000), of which HK$1,457,000 (equivalent to RMB1,237,000) and HK$284,705,000 (equivalent to RMB241,686,000) were credited to share capital and share premium account, respectively.

(iii) On 9 November 2016, 121,000,000 ordinary shares with par value of HK$0.01 each were issued with proceeds of HK$204,012,000 (equivalent to RMB178,449,000), of which HK$1,210,000 (equivalent to RMB1,059,000) and HK$202,802,000 (equivalent to RMB177,390,000) were credited to share capital and share premium account, respectively.

11 TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables	**123,534**	104,206
Accruals and other payables	**63,947**	100,335
Taxes payable	**14,633**	6,196
	202,114	210,737

As at 31 December 2017, ageing analysis of trade payables (including amounts due to related parties of trading in nature) based on invoice dates are as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**123,424**	102,787
Over 1 year	**110**	1,419
	123,534	104,206

As at 31 December 2017, the Group's trade and other payables were denominated in RMB and the carrying amounts of the balances approximated their fair values.

12 BUSINESS COMBINATIONS

During the year ended 31 December 2017, the Group acquired several solar power plants and one electricity distribution network company.

(a) In June 2017, the Group completed the acquisition of 100% equity interest in Guangshuo for a 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 the acquisition was RMB94,829,000. The excess of fair value of identifiable net assets over the consideration is credited to other gains — net (Note 4).

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.

(b) In November 2017, the Group completed the acquisition of 100% equity interest in Hoboksar Mongol Autonomous County Sifang Dianjin Energy Company Limited (和布克賽爾蒙古自治縣四方電金能源有限公司) ("**Sifang Dianjin**") from a third party for a consideration of RMB6,000,000. The fair value of the identifiable net assets in Sifang Dianjin on the date of the acquisition was RMB12,500,000. The excess of fair value of the identifiable net assets over the consideration is credited to other gains — net (Note 4). The principal activity of Sifang Dianjin is development and operation of electric power project.

(c) Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Guangshuo *RMB'000*	Sifang Dianjin *RMB'000*	Total *RMB'000*
Purchase consideration			
Placing of new shares *(Note 10(a))*	91,426	—	91,426
Cash (not yet paid)	—	6,000	6,000
	91,426	6,000	97,426
Recognised amounts of identifiable assets acquired and liabilities assumed			
Provisional fair value:			
Cash and bank balances	5,450	—	5,450
Property, plant and equipment	136,226	88,653	224,879
Intangible assets	751	471	1,222
Available-for-sale financial assets	6,380	—	6,380
Inventories	33	—	33
Receivables	85,103	2,321	87,424
Payables	(5,157)	(76,778)	(81,935)
Borrowings	(135,200)	—	(135,200)
Deferred tax liabilities	—	(2,167)	(2,167)
Others	1,243	—	1,243
Total identifiable net assets	94,829	12,500	107,329
Non-controlling interests	(1,960)	—	(1,960)
Bargain purchase recognised in the consolidated statement of profit or loss *(Note 4)*	(1,443)	(6,500)	(7,943)
	91,426	6,000	97,426
Inflow of cash to acquire business, net of cash acquired			
— cash consideration	—	—	—
— cash in subsidiaries acquired	5,450	—	5,450
Cash inflow on acquisition	5,450	—	5,450

Note: The main reason giving rise to the bargain purchases of Guangshuo and Sifang Dianjin was the fact that the present value of net cash inflow during the life of the plants and machinery acquired exceeded the total considerations paid.

Revenue and profit contribution

The revenue and net profit included in the consolidated statement of profit or loss since June 2017 contributed by Guangshuo was RMB17,750,000 and RMB4,066,000 respectively. If the acquisition had occurred on 1 January 2017, the consolidated pro-forma revenue and net profit of the Group including Guangshuo for the year ended 31 December 2017 would have been RMB916,733,000 and RMB117,657,000, respectively.

The revenue and net profit included in the consolidated statement of profit or loss since November 2017 contributed by Sifang Dianjin was RMB5,370,000 and RMB3,510,000, respectively. If the acquisition had occurred on 1 January 2017, the consolidated pro-forma revenue and net profit of the Group including Sifang Dianjin for the year ended 31 December 2017 would have been RMB900,010,000 and RMB135,957,000, respectively.

Each of the pro-forma revenue and net profit of the Group derived from the acquisition of Guangshuo and Sifang Dianjin is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition had been occurred on 1 January 2017 and could not serve as a basis for the forecast of future operation results.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2017, the Group carried on and furthered the development in its smart energy and solar energy businesses. In 2017, with the aim of becoming a "leading comprehensive service provider of smart energy in China", the Group adapted to the market development, constantly optimized its organizational structure and personnel structure, and continued to improve its online to offline industrial eco-structure of smart energy. In 2017, the Group stepped up its efforts in research and development by establishing a research institute integrating information technology and energy technology, which vigorously enhanced its capabilities of technological innovation, transformation and implementation, and established five standardized control systems of cloud platform, laying a solid foundation for the subsequent large-scale promotion of smart energy business by the Group. Breakthroughs have been made by the Group in its smart operation and maintenance, power trade, incremental distribution grid and, etc., in particular, the home distributed photovoltaic system, being a key component of the Group's smart energy and multi-energy complementation, developed rapidly and achieved good results in 2017. Meanwhile, the Group actively pushed ahead the structure optimization and resource reorganization in its smart energy related businesses and explored synergies in the businesses of incremental distribution grid, urban centralized heat supply and other energy fields, laying a foundation for the growth of smart energy business in respect of overall revenue and subsequent development.

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

For the Reporting Period, the Group's revenue was RMB897,902,000 (the same period of 2016: RMB563,913,000), while the profit attributable to owners of the Company was RMB135,197,000 (the same period of 2016: RMB51,456,000), representing an increase of 59.2% and 162.7% respectively as compared to the same period of last year. During the Reporting Period, smart energy and solar energy businesses generated a revenue of RMB655,948,000 (the same period of 2016: RMB41,624,000), and the profit attributable to owners of the Company was RMB118,894,000 (the same period of 2016: RMB26,621,000), contributing to 73.1% of the Group's revenue and 87.9% of the Group's profit. Smart energy and solar energy businesses have replaced the primary land development business and become the key sources of revenue and profit of the Group.

Business Review

Smart Energy and Solar Energy Businesses

Smart Energy Business

The Group's smart energy business is mainly, with the demands of customers such as industries, businesses, residences, and public institutions and leveraging on its own developed LongiTech Smart Energy Cloud Platform (the "**Cloud Platform**"), committed to the last one-mile solution of smart energy to provide customers with a full range of smart energy comprehensive utilization services based on various energy resources including cooling, heat, electricity, gas and photovoltaics, which comprise multi-energy complementation, smart energy operation and maintenance, power trade, energy efficiency analysis and relevant consultancy management and other value-added services, to help our customers improve energy usage efficiency, reduce energy usage cost, and thus building a rich, clean and low-carbon energy supply system.

Cloud Platform Construction

In terms of construction of the Cloud Platform, during the Reporting Period, the Group continued to increase the investment in research and development of the Cloud Platform and strengthen cooperation with external organizations, establishing a research institute integrating information technology and energy technology which was rated by the Science and Technology Department of Hebei Province as a "Provincial Academician Workstation (省級院士工作站)". Meanwhile, the Group has completed the development of a total of 19 scientific research projects and completed 7 registrations of computer software copyrights, providing a solid guarantee for enhancing the core competitiveness of the Group's Cloud Platform and fostering the development of the Group's smart energy business. As at 30 November 2017, Hebei Cloud Energy, a wholly-owned subsidiary of the Company, obtained the "High and New Tech Enterprise Certificate (《高新技術企業證書》)" granted by the Science and Technology Department of Hebei Province, Department of Finance of Hebei Province, State Taxation Bureau of Hebei Province and Hebei Province Local Taxation Bureau. On one hand, it shows the recognition of the research and development capability of the Company by the government departments. On the other hand, Hebei Cloud Energy would enjoy the income tax preferential policy of 15% within the three year validity period (from 1 January 2017 to 31 December 2019), which could directly reduce the tax burden of the Group and help enhance the competitiveness of the Company.

During the Reporting Period, the Group introduced and upgraded the 2017 version of the smart energy Cloud Platform. 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 Cloud Platform supports data transmission of 100,000 customers by taking only seconds with unlimited extension. Meanwhile, for smart energy offline business, the Group has developed five key subsystems in respect of electricity operation and maintenance, energy efficiency analysis, power trade management, customer relationship and home distributed photovoltaics to fully support the development of offline business.

During the Reporting Period, the Group entered into contracts with approximately 15,500 customers of energy consumption, among which approximately 13,000 customers have already connected real-time to the Company's Cloud Platform system, amounting to approximately 22,300 accrued connected monitoring points.

Multi-energy Complementation

Multi-energy complementation means that, given the end users' multiple demands of energy utilization such as electricity, heat, cooling, gas and etc., the Group realizes a complementary usage for the traditional energy and new energy in line with local conditions, and through approaches of renewable energies and energy storage such as distributed solar power plant and natural gas, joint provision of heat, electricity, and cooling, achieves synergistic supply of various energies and comprehensive and gradient utilization of energies, thus enhancing comprehensive usage efficiency of energies in energies system, alleviating the unbalance between supply and demand of energy and building a rich, clean and low-carbon energy supply system. Its profit model mainly consists of construction, holding, operating or sales of projects.

During the Reporting Period, the Group mainly focused on the development of distributed photovoltaic power stations business in terms of multi-energy complementation and achieved remarkable results in terms of home systems business. For further details relating to distributed photovoltaic power stations business, please refer to the section headed "Solar Energy Business" below. Besides, the Group actively expanded other multi-energy complementation approaches such as incremental power distribution network and urban centralized heat supply and replacement of coal with electricity.

Smart Operation and Maintenance

In terms of smart energy operation and maintenance, based on energy big data, the Group provides 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. Its main profit model is to charge service fees based on proportion of customers' electricity consumption.

During the Reporting Period, the Group has also completed the preparation and issuance of the smart operation and maintenance standardized operating system, and made it experience a test-run in the contracted demonstration zone; at the same time, the Group actively extended external resources and established partnership of cooperation in areas such as Hebei, Guangdong and Liaoning by way of joint venture, expanding customer-side smart energy operation and maintenance services.

Energy Efficiency Analysis

In terms of energy efficiency analysis, the Group relies on the big data mining and analysis capabilities of the Cloud Platform. Facing industrial and commercial users, public institutions and residential users, the Group 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 enhance energy utilisation. Its main profit model is to charge annual service fees to its clients and share profit of special energy efficiency projects based on the proportion of energy saving.

During the Reporting Period, the Group has built an energy efficiency analysis sub-system of the Cloud Platform, and started energy efficiency analysis services in some of the pilot enterprises.

Power Trade

In terms of power trade, by integrating energy consumers through the Cloud Platform, the Group conducts load predictions, auction analysis, electricity purchase and sales management on the customers' energy usage based on big data analysis, realizing precision marketing of energy purchase and sales. Its main profit model is to earn price difference of electricity sold.

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 may directly conduct electricity purchase and sales business between power-generating corporates and users.

During the Reporting Period, the contracted electricity sales volume of the Group is approximately 460 million kWh, which indicates a good start for its electricity sales business.

Solar Energy Business

In terms of solar energy business, as a major component of the Group's smart multi-energy complementation, the Group focuses on the development of distributed photovoltaic power stations, including mainly industrial and commercial distributed power stations, as well as home photovoltaic systems.

Industrial and Commercial Distributed Power Stations

In June 2017, the Group acquired all 7 distributed solar power stations held by the related party, all of which have been connected to the power grid and generating power. After completion of the transaction, the Group holds a total of 10 solar photovoltaic 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. Given the trend of the decline and delay in national subsidy for industrial and commercial distributed power stations, the Group currently has no further plan to expand the scale of ground and industrial and commercial distributed power stations.

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

Number	**Project name**	**Aggregate installed capacity** *(MW)*	**Power generation** *(MWh)*
1	Baiyangdian, Hebei	0.37	462
2	Chest Hospital, Hebei	0.09	84
3	Gaocheng Xingan, Hebei	6.63	7,584
4	Baigou New Town, Hebei	9.52	11,859
5	Jiangmen Lingzhi, Guangdong	1.00	1,037
6	Xiangsheng, Shandong	5.10	5,552
7	Hongze Baolijia, Jiangsu	4.77	1,335
8	Hongze Yutian Gangbo, Jiangsu	1.20	5,343
9	Huaian, Jiangsu	5.03	5,530
10	Longhua, Hebei *(Note)*	20.00	28,371
	Subtotal	53.71	67,157

Note: That power plant is a ground power plant.

Home Photovoltaic System

In 2017, through leveraging on the Group's technology and experience accumulated in the solar photovoltaic industry, and by using the "Cloud Families" brand, the Group recorded excellent results in terms of home system. For home system development, the Group mainly earned revenue through selling solar power integrating systems such as solar panels, inverters and frames; in terms of operation model, the Group promoted its operation vigorously by franchising, with total nationwide dealers nearly 300 and secondary agents over 1,000 at present; in terms of promotion regions, with Hebei as the core, the Group has completed its business coverage across 15 provinces including Beijing, Henan, Shanxi, Shaanxi, three provinces in the northeastern China, Hunan, Jiangsu, Anhui, Zhejiang, Guizhou, Fujian and Shandong, and realized a full coverage of all cities in Hebei. During the Reporting Period, the Group's contracted sales of the home systems amounted to approximately 133MW, actual shipments amounted to approximately 121MW, and the number of users amounted to approximately 12,660, which leads among the home systems industry.

During the Reporting Period, the Group also developed a home photovoltaic sub-system on the Cloud Platform specifically for home systems. For now, all the home systems installed by users have been connected to the Cloud Platform sub-system. Users, dealers and the Group can check the real-time operation conditions of their home systems through the internet and the mobile phone application (APP), realizing smart monitoring of the operations of the home systems. Through the home photovoltaic sub-system, users can immediately know their own income, and can report malfunction through one-click report, easily handling the power station failure. Dealers can use this home photovoltaic sub-system to provide regional installation analysis and policy guidance functions to conduct market analysis for better business promotion. The Group can analyze the operation data of the power station through the home photovoltaic sub-system to ensure the highly efficient operation and stable income of the power station. Meanwhile, the Group can also analyze the marketing performance of dealers via the sub-system, including the monthly installation capacity, installation growth rate, regional installation capacity, and the analysis of installation capacity of different dealers, and identify excellent dealers, thus better train and manage the dealerships. Smart management through the Cloud Platform will replace the traditional human labor and provide smart support for the Group's home photovoltaic business promotion and operation.

Due to the Group's outstanding performance in the home system, its "Cloud Families" was recognized by the industry in 2017 and awarded a series of national prizes. In 2017, at the 13th International Conference on Distributed Energy in China and Awards Ceremony of Outstanding Distributed Energy Projects in China for 2017 (第十三屆中國分佈式能源國際論壇暨二零一七年度中國分佈式能源優秀項目頒獎典禮), the brand of "Cloud Families" of the Group was awarded "2017 Outstanding Innovation Award in Distributed Energy in China" (二零一七年度中國分佈式能源傑出創新獎) and the "First Prize of Outstanding Distributed Energy Projects in China for 2017" (二零一七年度中國分佈式能源優秀項目一等獎). At the First Summit on Poverty Alleviation by Energy Industry in China (首屆中國能源產業扶貧高峰論壇), the brand was awarded the "Outstanding Brand in Energy Industry of China regarding Poverty Alleviation" (中國能源產業扶貧傑出品牌) and it was awarded the "Awards of Top 10 Innovative Enterprise with Photovoltaic Business in China" (中國十大光伏商業創新企業獎) at Great Annual Ceremony of the Top Photovoltaic Brands in China for 2017 (二零一七年中國好光伏品牌年度盛典).

During the Reporting Period, the smart energy and solar power businesses generated a revenue of approximately RMB655,948,000 (for the same period of 2016: RMB41,624,000) for the Group, while the profit attributable to owners of the Company was approximately RMB118,894,000 (for the same period of 2016: RMB26,621,000).

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 Reporting Period, the Baoding Donghu Project generated a revenue of approximately RMB241,954,000 (for the same period of 2016: RMB522,289,000) and the profit attributable to owners of the Company of approximately RMB31,595,000 (for the same period of 2016: RMB34,952,000). The Group currently has no plan to further expand the primary land development business after completion of the Baoding Donghu Project.

Business outlook and Market Strategy in 2018

In 2018, the Group will follow the development trend of the energy industry, focus on technological research and development innovation based on the expansion of multi-energy complementation resources such as electricity, photovoltaics and heat, and target the needs of industrial and commercial enterprises and residents, so as to actively and steadily promote the simultaneous development of smart energy online and offline business.

On one hand, the Group will actively invest in electricity, photovoltaics and heat by ways of investment, mergers and acquisitions, participate in the investment, construction and operation management of the incremental distribution network-related projects in China, and seize high-quality distribution network resources to obtain stable revenue in electricity distribution service. While continuing to vigorously promote home photovoltaic system and expanding its market share across the country, the Group will take advantage of the market channels and selling system in home systems, participate in the coal-switching clean energy business in the heat supply area of the northern China and consider market opportunities to participate in investment in urban centralized heat supply projects to generate related sales and investment income.

On the other hand, the Group will continue to strengthen its investment in the research and development for the Cloud Platform and enhance the functional level of each system of the Cloud Platform and its application and conversion capabilities. Starting from users of multi-energy complementation resources and based on the Cloud Platform, the Group uploads real-time data of electricity, photovoltaics, heat from industrial and commercial enterprises and residential users to the Cloud Platform, integrates big data, and taps the value of big data to provide all industry chains services, including smart operation, power trade, energy efficiency analysis and consultancy management to energy finance and energy big data, for industrial and commercial enterprises and residential users. Through the aforesaid ways, the Group is expected to grow and become one of the largest smart energy cloud platform operators in China.

Financial Review

Revenue and Gross Profit

The Group's revenue and gross profit for the Reporting Period amounted to RMB897,902,000 (for the same period of 2016: RMB563,913,000) and RMB260,480,000 (for the same period of 2016: RMB68,443,000), respectively. For the Reporting Period, revenue from the smart energy and solar energy businesses was RMB655,948,000 (for the same period of 2016: RMB41,624,000). Revenue from the primary land development business was approximately RMB241,954,000 (for the same period of 2016: RMB522,289,000). The increases in revenue and gross profit were mainly attributable to the growth in the revenue and profit from the smart energy and solar energy businesses of the Group, especially that of the home system.

Selling and distribution expenses

Selling and distribution expenses incurred by the Group for the Reporting Period was RMB24,519,000 (for the same period of 2016: RMB1,338,000), representing an increase of 1,732.5% compared to the previous year, and the increase for Reporting Period was mainly due to the increase in marketing expenses for the smart energy and solar energy businesses.

Administrative expenses

Administrative expenses incurred by the Group for the Reporting Period was RMB68,190,000 (for the same period of 2016: RMB21,369,000), representing an increase of 219.1% compared to the previous year, and the increase for Reporting Period was mainly due to the increase in the operating costs of the smart energy and solar energy businesses.

Finance expenses — net

The Group's net finance costs for the Reporting Period amounted to RMB19,235,000 (for the same period of 2016: RMB9,029,000), representing an increase of 113.0%, mainly due to the borrowing costs arising from the acquisition of solar power stations in June 2017.

Income tax

The Group's income tax expenses for the Reporting Period amounted to RMB22,328,000 (for the same period of 2016: RMB12,321,000), representing an increase of 81.2% over last year, and the increase was mainly due to the increase in income tax provision related to smart energy and solar energy businesses.

Liquidity, financial and capital resources

Cash position

As at 31 December 2017, bank balances and cash were approximately RMB108,701,000 (for the same period of 2016: RMB205,333,000), of which approximately RMB1,679,000 (for the same period of 2016: RMB296,000) were restricted bank balances and cash (only available for payment of expenses incurred by the Baoding Donghu Project). Such decrease was mainly due to the increase in expenses for the smart energy and solar businesses and the Group's daily operation.

Total current assets and liquidity ratio

As at 31 December 2017, total current assets and liquidity ratio (total current assets/total current liabilities) were approximately RMB1,404,387,000 (for the same period of 2016: RMB955,121,000) and 2.73 (for the same period of 2016: 3.36) respectively. The increase in total current assets was mainly due to the increase in trade receivables, and the decrease in liquidity ratio was due to the net increase of RMB229,306,000 in the balance of borrowings in 2017.

External borrowings and pledge of assets

As at 31 December 2017, the Group had an external borrowing of RMB933,545,000 (for the same period of 2016: RMB704,239,000), of which RMB310,500,000 was secured by the solar power plant machineries with original costs of RMB334,480,000 and the future receivable collection right of certain subsidiaries (for the same period of 2016: RMB208,600,000 was secured by the solar power plant machineries with original costs of RMB185,660,000 and the future receivable collection right of certain subsidiaries); RMB328,045,000 was secured by the future receivable collection right of certain subsidiaries (for the same period of 2016: RMB495,639,000 was secured by the future receivable collection right of certain subsidiaries); and RMB295,000,000 was secured by the undertakings made by the related parties of the Group (for the same period of 2016: Nil).

Gearing Ratio

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

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Bank loans	**933,545**	704,239
Less: Cash and cash equivalents	**(107,022)**	(205,037)
Restricted cash	**(1,679)**	(296)
Net debt	**824,844**	498,906
Total equity	**774,801**	306,882
Total capital (Net debt plus total equity)	**1,599,645**	805,788
Gearing ratio (Net debt/total capital)	**51.6%**	61.9%

As at 31 December 2017, the gearing ratio of the Group was 51.6%, decreased by 10.3 percentage points as compared with the gearing ratio of 61.9% in 2016. The decrease was primarily due to the increase in the total equity for the Reporting Period.

Long-term debts were the principle debts of the Group, accounting for 69.3% (31 December 2016: 95.0%), in which: the borrowings of RMB310,500,000 of solar power stations were gradually settled by the proceeds of the sale of electricity, and the borrowings of RMB623,045,000 in relation to Baoding Donghu Project will be gradually settled via the borrowings used for the project provided by the People's Government of Baoding for 2018 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 Reporting Period, interest rates of external borrowings ranged from 5.39% to 7.50% per annum (for the same period of 2016: 5.39% to 7.50% 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 Reporting 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 RMB5,681,000 as at 31 December 2017 (for the same period of 2016: RMB24,331,000).

Contingent liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities (for the same period of 2016: Nil).

RELIANCE ON KEY CUSTOMERS

For the Reporting Period, revenue from the smart energy and solar energy businesses amounted to approximately RMB655,948,000 (for the same period of 2016: RMB41,624,000), representing approximately 73.1% of the Group's revenue (for the same period of 2016: 7.4%). As the revenue from the smart energy and solar energy businesses mainly came from Hebei Zhanyuan New Energy Technology Co., Ltd (河北展源新能源科技有限公司) ("**Hebei Zhanyuan**"), the key customer of the Group is the Hebei Zhanyuan. Since the majority of such settlements made by Hebei Zhanyuan were collected in normal progress, the Group is not exposed to any significant risk.

For the Reporting Period, revenue from the Baoding Donghu Project amounted to approximately RMB241,954,000 (for the same period of 2016: RMB522,289,000), representing approximately 26.9% of the Group's revenue (for the same period of 2016: 92.6%). As the revenue from the Baoding Donghu Project mainly came from the People's Government of Baoding, the key customer of the Group is the People's Government of Baoding. The project settlements for the Baoding Donghu Project mainly consist of funds financed by the government. With the guaranteed funding from the government, no risk arises for the Group. For the Reporting Period, the Group received project settlements from the government amounting to approximately RMB394,672,000 (for the same period of 2016: RMB304,619,000).

MATERIAL ACQUISITIONS AND DISPOSAL

Acquisition

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) respectively, for the acquisition of 100% equity interest of Gao Bei Dian City Guangshuo New Energy Co., Ltd. ("**Guangshuo**"), with a total consideration of HK$129,978,000. The consideration was satisfied by the Company through the issuance of 44,820,000 shares of the Company in total at the issue price of HK$2.90 per share to the first vendor and the second vendor. 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. The acquisition was completed on 9 June 2017.

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 22 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 its shareholder loans. The disposal consideration was HK$56,672,000, which was determined after arm's length negotiations between the parties with reference to the combined net asset of Trade Up and its subsidiaries as at 31 May 2017. At that time, Trade Up controlled the Company's doors, windows, construction, and engineering businesses in the PRC. The disposal was completed on 4 July 2017, which enables the Group to organise 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 disclosable transaction of the Company dated 29 June 2017.

Significant Investment

During the financial year ended 31 December 2017, the Group had no significant investment.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 302 employees as at 31 December 2017 (for the same period of 2016: 245 employees). The increase in the number of employees was primarily due to the expansion of the smart energy and solar energy businesses, especially the home system business. Employees were remunerated according to the nature of their positions, individual qualification, performance, work 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.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

With smart energy and solar energy businesses as its principal business activities, the Group is committed to environmental protection and mitigating the impact of its operations on the environment. During the Reporting Period, the Group has complied with the requirements of the relevant laws and regulations that have a significant impact on the Group's operations.

In the course of developing its smart energy, solar power station and primary land development business, the Group should mainly comply with the requirements and restrictions under the following environmental laws and regulations, namely, the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法), the Law of the People's Republic of China on Appraising of Environment Impacts (中華人民共和國環境影響評價法) and the Regulations on the Administration of Environmental Protection of Construction Projects (建設項目環境保護管理條例). The Group affirms the importance of complying with the laws and regulations on environmental protection. During the Reporting Period, the Group has complied with the relevant laws and regulations on environmental protection that are of importance to the Group.

We also recognize the importance of maintaining mutually beneficial relationships with our stakeholders, namely our employees, customers and suppliers and local communities whose support is vital to our Group's sustainable development. We pay close attention to the needs of all stakeholders, deliver solutions addressing their needs and we continuously interact with our stakeholders in way that is conducive to sustainable growth in our Company, our industry and our communities. For more details of the Group's environmental, social and governance report of 2017, please refer to the "Environmental, Social and Governance Report" of the Company to be issued in April 2018.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group operates its businesses mainly in Mainland China. The development and operation of the Group's smart energy and solar energy businesses in the PRC are regulated by the local laws and regulations on renewable energy and the provision and sale of electricity, as well as various policies and industry guidance catalogs issued by the local governments. There was no incident of non-compliance with the relevant laws and regulations that had or would have a significant impact on the Company during the Reporting Period.

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 Reporting 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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. After making specific enquiries, all of the Directors who held their office during the Reporting Period have confirmed that they had complied with the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

On 21 March 2018, the Company completed a right issue on the basis of one rights share for every two shares held on the record date (the "**Rights Issue**"). 459,474,000 shares were issued at a subscription price of HK$1.2 per rights share with net proceeds of approximately HK$549,000,000 have been raised. The net proceeds will be used for development of smart energy and solar energy businesses including relevant potential investments and mergers and acquisition, and for general working capital of the Group for the following year. Details of the Rights Issue were set out in the Company's announcements dated 25 January 2018 and 21 March 2018, and the prospectus dated 28 February 2018.

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**"), comprising the three independent non-executive Directors, has reviewed the Group's consolidated financial statements for the year ended 31 December 2017 together with the management of the Company.

In addition, this annual results announcement is based on the Group's audited consolidated financial statements for the year ended 31 December 2017 which have been agreed with the auditor of the Company.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The financial figures in respect of Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, Certified Public Accountants, 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 audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2017 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.longitech.hk), and the 2017 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company 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, 29 March 2018

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