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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 2018

**FINANCIAL HIGHLIGHTS:**

- For the six months ended 30 June 2018, the Group's revenue amounted to RMB438,692,000, representing an increase of 53.3% as compared to RMB286,135,000 for the same period of 2017.
- For the six months ended 30 June 2018, the Group's gross profit amounted to RMB158,731,000, representing an increase of 80.8% as compared to RMB87,806,000 for the same period of 2017.
- For the six months ended 30 June 2018, profit attributable to owners of the Company amounted to RMB80,959,000, representing an increase of 76.9% as compared to RMB45,765,000 for the same period of 2017.
- For the six months ended 30 June 2018, the Group's basic earnings per share amounted to RMB0.0691, representing an increase of RMB0.0068 as compared to the same period of 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 2018 (the "**Period**") together with selected explanatory notes and the comparative figures for the corresponding period in 2017 as follows:

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
*For the six months ended 30 June 2018*

| | Note | Six months ended 30 June 2018 RMB'000 (Unaudited) | 2017 RMB'000 (Unaudited) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | *4* | **438,692** | 286,135 |
| Cost of sales | | **(279,961)** | (198,329) |
| **Gross profit** | | **158,731** | 87,806 |
| Selling and distribution expenses | | **(15,105)** | (8,041) |
| Administrative expenses | | **(43,644)** | (22,477) |
| Reversal of impairment losses on financial assets | | **1,412** | — |
| Other income | | **345** | — |
| Other gains — net | | **996** | 3,696 |
| **Operating profit** | | **102,735** | 60,984 |
| Finance income | | **319** | 477 |
| Finance expenses | | **(8,489)** | (6,737) |
| Finance expenses — net | | **(8,170)** | (6,260) |
| **Profit before income tax** | | **94,565** | 54,724 |
| Income tax expense | *10* | **(13,244)** | (8,023) |
| **Profit for the period from continuing operations** | | **81,321** | 46,701 |
| **Discontinued operations** | | | |
| Loss for the period from discontinued operations | | **—** | (721) |
| **Profit for the period** | | **81,321** | 45,980 |
| **Profit attributable to:** | | | |
| Owners of the Company | | **80,959** | 45,765 |
| Non-controlling interests | | **362** | 215 |
| | | **81,321** | 45,980 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)**
*For the six months ended 30 June 2018*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **Earnings per share for profit from continuing and discontinued operations attributable to owners of the Company (RMB)** | | | |
| Basic earnings per share | | | |
| From continuing operations | *11(a)* | **0.0691** | 0.0633 |
| From discontinued operations | *11(a)* | **—** | (0.0010) |
| | | **0.0691** | 0.0623 |
| Diluted earnings per share | | | |
| From continuing operations | *11(b)* | **0.0688** | 0.0632 |
| From discontinued operations | *11(b)* | **—** | (0.0010) |
| | | **0.0688** | 0.0622 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2018*

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Profit for the period** | **81,321** | 45,980 |
| **Other comprehensive income/(loss)** | | |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Exchange differences on translation of financial statements of foreign operations | **8,596** | (1,396) |
| **Other comprehensive income/(loss) for the period, net of tax** | **8,596** | (1,396) |
| **Total comprehensive income for the period** | **89,917** | 44,584 |
| **Total comprehensive income for the period attributable to:** | | |
| Owners of the Company | **89,555** | 44,369 |
| Non-controlling interests | **362** | 215 |
| | **89,917** | 44,584 |
| **Total comprehensive income for the period attributable to owners of the Company arising from:** | | |
| Continuing operations | **89,555** | 45,090 |
| Discontinued operations | **—** | (721) |
| | **89,555** | 44,369 |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

*As at 30 June 2018*

| | Note | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Leasehold land and land use rights | | **1,412** | 1,634 |
| Property, plant and equipment | | **470,763** | 480,349 |
| Investment properties | | **9,000** | 9,000 |
| Intangible assets | | **39,527** | 38,475 |
| Deferred tax assets | | **357** | 569 |
| Investments accounted for using the equity method | | **1,900** | — |
| Other non-current assets | | **12,235** | 17,510 |
| **Total non-current assets** | | **535,194** | 547,537 |
| **Current assets** | | | |
| Inventories | | **59,284** | 25,815 |
| Contract assets | | **555,348** | — |
| Amount due from customers for contract work | | **—** | 500,316 |
| Trade and other receivables | *5* | **811,737** | 769,555 |
| Financial assets at amortised cost | *7* | **42,155** | — |
| Financial assets at fair value through profit or loss | *8* | **16,862** | — |
| Restricted cash | | **1,670** | 1,679 |
| Cash and cash equivalents | | **287,668** | 107,022 |
| **Total current assets** | | **1,774,724** | 1,404,387 |
| **Total assets** | | **2,309,918** | 1,951,924 |
| **EQUITY** | | | |
| Share capital | *9* | **11,328** | 7,629 |
| Reserves | | **1,008,756** | 555,658 |
| Retained earnings | | **291,259** | 210,300 |
| **Equity attributable to owners of the Company** | | **1,311,343** | 773,587 |
| **Non-controlling interests** | | **540** | 1,214 |
| **Total equity** | | **1,311,883** | 774,801 |

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

*As at 30 June 2018*

| | Note | At 30 June 2018 RMB'000 (Unaudited) | At 31 December 2017 RMB'000 (Audited) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **551,000** | 647,305 |
| Deferred government grants | | **2,440** | 2,493 |
| Deferred tax liabilities | | **12,530** | 12,554 |
| **Total non-current liabilities** | | **565,970** | 662,352 |
| **Current liabilities** | | | |
| Trade and other payables | *6* | **109,106** | 202,114 |
| Contract liabilities | | **169** | — |
| Receipts in advance | | **—** | 738 |
| Borrowings | | **304,425** | 286,240 |
| Current tax liabilities | | **18,365** | 25,679 |
| **Total current liabilities** | | **432,065** | 514,771 |
| **Total liabilities** | | **998,035** | 1,177,123 |
| **Total equity and liabilities** | | **2,309,918** | 1,951,924 |

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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, 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 (together, the "**Group**") are principally engaged in smart energy and solar energy businesses ("**smart energy business**") and public infrastructure construction business. The two major shareholders of the Company are Longevity Investment Holding Limited ("**Longevity**") and Lightway Power Holdings Limited ("**Lightway Power**"), 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 2018 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "**Interim Financial Reporting**".

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this condensed consolidated interim financial information should be read in conjunction with the annual financial information for the year ended 31 December 2017, which has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), and any public announcements made by the Company during the interim reporting period.

## 3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial information for the year ended 31 December 2017, as described in the annual financial report, except for the adoption of new and amended standards as set out below.

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

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

A number of new or amended standards became applicable for the current reporting period including the following standards:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of above standards are disclosed in Note 3. The other standards effective for the annual reporting period commencing on or after 1 January 2018 did not have any material impact on the Group.

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

The following new and amended standards and interpretations to existing standards which have been issued but are effective for the annual reporting period commencing on or after 1 January 2019 have not been early adopted by the Group:

| | | **Effective for annual period commencing on or after** |
|---|---|---|
| IFRS 16 | Leases | 1 January 2019 |
| IFRS 17 | Insurance Contracts | 1 January 2021 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

None of the above new and amended standards and interpretations to existing standards is expected to have a significant impact on the Group, except for the following as set out below.

***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 the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB18,528,000. 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 standard is mandatory for first interim period within annual reporting period commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

Below notes discloses the new accounting policies that have been adopted from 1 January 2018 and also explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

## 3.1 IFRS 9 FINANCIAL INSTRUMENTS

### 3.1.1 Accounting policies

Investments and other financial assets:

**(a) *Classification***

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**"), or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

**(b) *Measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI

  Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

- FVPL

  Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(ii) *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**(c) *Impairment***

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### 3.1.2 Impact of adoption

IFRS 9 replaces the provisions of IAS 39 Financial Instruments that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. There was no impact on the Group's retained earnings as at 1 January 2018 and 1 January 2017.

Impairment of financial assets:

The Group has four types of financial assets that are subject to IFRS 9's expected credit loss model:

- trade receivables;
- tariff adjustment receivables;
- contract assets relating to public infrastructure construction business; and
- other financial assets at amortised cost.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

**(a)** ***Trade receivables, tariff adjustment receivables and contract assets***

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, tariff adjustment receivables and contract assets. To measure the expected credit losses, trade receivables, tariff adjustment receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance for trade receivables as at 1 January 2018 was determined as follows:

| As at 1 January 2018 | Current | More than 1 day past due | More than 180 days past due | More than 1.5 years past due | More than 2.5 years past due | More than 3.5 years past due | Total |
|---|---|---|---|---|---|---|---|
| Expected loss rate | — | 5% | 10% | 20% | 50% | 100% | |
| Gross carrying amount (RMB'000) | 400,039 | 75,806 | — | — | — | — | 475,845 |
| Loss allowance (RMB'000) | — | (3,791) | — | — | — | — | (3,791) |

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

| | *RMB'000* |
|---|---|
| As at 31 December 2017 — calculated under IAS 39 | (3,791) |
| Amounts restated through opening retained earnings | — |
| Opening loss allowance as at 1 January 2018 — calculated under IFRS 9 | (3,791) |

Tariff adjustment receivables derive from the subsidies in respect of the sales of electricity. Contract assets relate to unbilled work in progress in the public infrastructure construction business. Applying the expected credit risk model did not result in any loss allowance recognised for tariff adjustment receivables or contract assets on 1 January 2018 or any further increase in the respective allowance during the six months ended 30 June 2018.

**(b)** ***Other financial assets at amortised cost***

Other financial assets at amortised cost include unlisted corporate bond, loans to related parties and other receivables. Applying the expected credit risk model did not result in any loss allowance recognised on 1 January 2018 or any further increase in the allowance during the six months ended 30 June 2018.

## 3.2 IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

### 3.2.1 Accounting policies

Revenues are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer,
- creates and enhances an asset (for example, work in progress) that the customer controls as the Group performs, or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract, or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

### 3.2.2 Impact of adoption

IFRS 15 replaces the provisions of IAS 18 Revenue and IAS 11 Construction Contracts that relate to the recognition, classification and measurement of revenue and costs.

The Group has adopted IFRS 15 from 1 January 2018, which resulted in adjustments to the amounts recognised in the financial statements. The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings as at 1 January 2018. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated. In summary, the following adjustments were made to the amounts recognised in the balance sheet as at 1 January 2018:

| | **IAS 18 & IAS 11 carrying amount as at 31 December 2017** | **Reclassification** | **IFRS 15 carrying amount as at 1 January 2018** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Contract assets | — | 500,316 | 500,316 |
| Amount due from customers for contract work | 500,316 | (500,316) | — |
| Contract liabilities | — | 738 | 738 |
| Receipts in advance | 738 | (738) | — |

There was no impact on the Group's retained earnings as at 1 January 2018 and 1 January 2017.

## 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 business; and
- public infrastructure construction business.

Public infrastructure construction business refer to the public infrastructure construction and the related preliminary investment and post-construction operation management businesses of the Baoding Donghu Project.

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

(a) **The segment results for the six months ended 30 June 2018 and 2017 are as follows:**

| | Smart energy business<br>*RMB'000* | Public infrastructure construction business<br>*RMB'000* | Others<br>*RMB'000* | Elimination<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|---|
| **For the six months ended 30 June 2018 (Unaudited)** | | | | | |
| Revenue from external customers | **403,503** | **35,189** | **—** | **—** | **438,692** |
| Reportable segment profit/(loss) after tax | **91,275** | **3,450** | **(13,404)** | **—** | **81,321** |
| **As at 30 June 2018 (Unaudited)** | | | | | |
| Reportable segment assets | **2,050,700** | **675,645** | **496,923** | **(913,350)** | **2,309,918** |
| Additions to non-current assets | **12,712** | **—** | **1,361** | **—** | **14,073** |
| Reportable segment liabilities | **1,324,022** | **586,506** | **857** | **(913,350)** | **998,035** |
| **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 31 December 2017 (Audited)** | | | | | |
| Reportable segment assets | 1,699,202 | 753,608 | 144,820 | (645,706) | 1,951,924 |
| Additions to non-current assets | 269,077 | — | 219 | — | 269,296 |
| Reportable segment liabilities | 1,154,577 | 667,918 | 334 | (645,706) | 1,177,123 |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018**<br>***RMB'000***<br>**(Unaudited)** | 2017<br>*RMB'000*<br>(Unaudited) |
| Reportable segment revenue | **438,692** | 301,958 |
| Elimination of discontinued operations | **—** | (15,823) |
| Consolidated revenue for the period from continuing operations | **438,692** | 286,135 |

### (c) Reconciliations of reportable segment profit

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Reportable segment profit after tax | **81,321** | 45,980 |
| Elimination of discontinued operations | **—** | 721 |
| Consolidated profit after tax for the period from continuing operations | **81,321** | 46,701 |

## 5 TRADE AND OTHER RECEIVABLES

| | As at | As at |
|---|---|---|
| | **30 June** | 31 December |
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade receivables | **501,935** | 475,845 |
| Tariff adjustment receivables | **59,633** | 44,785 |
| | **561,568** | 520,630 |
| Less: provision for impairment | **(2,379)** | (3,791) |
| Total trade receivables | **559,189** | 516,839 |
| Notes receivables | **250** | 712 |
| Prepayments | **97,700** | 11,980 |
| Other receivables | **154,598** | 240,024 |
| | **811,737** | 769,555 |

Trade receivables are due within 180 days from the dates of billing. As at 30 June 2018 and 31 December 2017, the ageing analysis of trade receivables were as follows:

| | As at | As at |
|---|---|---|
| | **30 June** | 31 December |
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 1 year | **530,574** | 503,106 |
| Over 1 year | **30,994** | 17,524 |
| | **561,568** | 520,630 |

As at 30 June 2018 and 31 December 2017, the trade receivables aged over 1 year represent tariff adjustment receivables.

As at 30 June 2018 and 31 December 2017, the future receivable collection rights of industrial and commercial distributed power stations and public infrastructure construction business were pledged as security for the Group's borrowings.

## 6 TRADE AND OTHER PAYABLES

| | **As at 30 June 2018** *RMB'000* **(Unaudited)** | As at 31 December 2017 *RMB'000* (Audited) |
|---|---|---|
| Trade payables | **63,336** | 123,534 |
| Accruals and other payables | **34,579** | 63,947 |
| Tax payables | **11,191** | 14,633 |
| | **109,106** | 202,114 |

As at 30 June 2018 and 31 December 2017, the ageing analysis of trade payables were as follows:

| | **As at 30 June 2018** *RMB'000* **(Unaudited)** | As at 31 December 2017 *RMB'000* (Audited) |
|---|---|---|
| Within 1 year | **63,047** | 123,424 |
| Over 1 year | **289** | 110 |
| | **63,336** | 123,534 |

## 7 FINANCIAL ASSETS AT AMORTISED COST

| | **As at 30 June 2018** *RMB'000* **(Unaudited)** | As at 31 December 2017 *RMB'000* (Audited) |
|---|---|---|
| Unlisted corporate bond | **42,155** | — |

Pursuant to the subscription agreement dated 23 May 2018, the Group subscribed for an unlisted one-year corporate bond with the principal amount of HK$50,000,000 (equivalent to RMB42,155,000) and fixed coupon interests of 8% per annum, issued by National Arts Entertainment and Culture Group Limited on 24 May 2018, who is an independent third party to the Group and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited.

The bond is measured at amortised cost using the effective interest method and the Group has the intention to hold until maturity.

## 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **As at 30 June 2018** *RMB'000* **(Unaudited)** | As at 31 December 2017 *RMB'000* (Audited) |
|---|---|---|
| Unlisted investment fund | **16,862** | — |

On 28 June 2018, the Group subscribed for an unlisted investment fund from an independent financial institution with the investment cost of HK$20,000,000 (equivalent to RMB16,862,000). The fund is measured at fair value through profit or loss. The Group has the intention of holding for short-term investment and it is redeemable at the discretion of the Group from time to time.

## 9 SHARE CAPITAL

Ordinary shares, issued and fully paid:

| | **Six months ended 30 June 2018 (Unaudited)** | | | Six months ended 30 June 2017 (Unaudited) | | |
|---|---|---|---|---|---|---|
| | **No. of shares** *(thousands)* | **Amount** *HKD'000* | **RMB equivalent** *RMB'000* | No. of shares *(thousands)* | Amount *HKD'000* | RMB equivalent *RMB'000* |
| As at 1 January | **918,948** | **9,189** | **7,629** | 728,440 | 7,284 | 6,002 |
| Rights issue | **459,474** | **4,595** | **3,699** | — | — | — |
| Placing of new shares | **—** | **—** | **—** | 44,820 | 448 | 390 |
| As at 30 June | **1,378,422** | **13,784** | **11,328** | 773,260 | 7,732 | 6,392 |

On 21 March 2018, the Company completed the rights issue on the basis of one rights share for every two shares held on the record date. 459,474,000 ordinary shares with par value of HKD0.01 each were issued at a subscription price of HKD1.20 per rights share, with net proceeds of HKD549,529,000 (equivalent to RMB442,398,000), of which HKD4,595,000 (equivalent to RMB3,699,000) and HKD544,934,000 (equivalent to RMB438,699,000) were credited to share capital and share premium, respectively.

## 10 INCOME TAX EXPENSE

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** *RMB'000* **(Unaudited)** | 2017 *RMB'000* (Unaudited) |
| Current income tax | **13,056** | 7,497 |
| Deferred income tax | **188** | 526 |
| | **13,244** | 8,023 |

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.

No provision for Hong Kong profit tax was made as the Group does not have assessable profits arising in Hong Kong during the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

The statutory tax rate of entities registered in the PRC for the six months ended 30 June 2018 is 25% (six months ended 30 June 2017: 25%), except for certain subsidiaries entitled to tax exemption or preferential rates.

As at 30 November 2017, Hebei LongiTech Cloud Energy Technology Co., Ltd. ("**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%.

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.

## 11 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 six months ended 30 June 2018 and 2017, respectively.

| | **Six months ended 30 June** | | |
|---|---|---|---|
| | **2018** | 2017 | |
| | **Continuing (Unaudited)** | Continuing (Unaudited) | Discontinued (Unaudited) |
| Profit/(Loss) attributable to owners of the Company (RMB'000) | **80,959** | 46,486 | (721) |
| Weighted average number of ordinary shares in issue (thousands) | **1,171,659** | 733,918 | 733,918 |
| Basic earnings per share (RMB) | **0.0691** | 0.0633 | (0.0010) |

### (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. During the six months ended 30 June 2018 and 2017, the Company had outstanding share options. The resulting number of shares issued for nil consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

| | Six months ended 30 June | | |
|---|---|---|---|
| | **2018** | 2017 | |
| | **Continuing** | Continuing | Discontinued |
| | **(Unaudited)** | (Unaudited) | (Unaudited) |
| Profit/(Loss) attributable to owners of the Company (RMB'000) | **80,959** | 46,486 | (721) |
| Weighted average number of ordinary shares in issue (thousands) | **1,171,659** | 733,918 | 733,918 |
| Effect of deemed issue of shares under the Company's share option scheme for nil consideration (thousands) | **4,997** | 2,154 | 2,154 |
| Adjusted weighted average number of ordinary shares for diluted earnings per share (thousands) | **1,176,656** | 736,072 | 736,072 |
| Diluted earnings per share (RMB) | **0.0688** | 0.0632 | (0.0010) |

## 12 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended 30 June 2018 or 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

For the six months ended 30 June 2018 (the "**Period**"), LongiTech Smart Energy Holding Limited (the "**Company**") and its subsidiaries (the "**Group**") were principally engaged in smart energy, public infrastructure construction and the related preliminary investment and post-construction operation management, with gradual expansion and diversification to other clean energy business.

For the Period, the Group's revenue was RMB438,692,000 (for the same period of 2017: RMB286,135,000), while the profit attributable to owners of the Company was RMB80,959,000 (for the same period of 2017: RMB45,765,000), representing an increase of 53.3% and 76.9% respectively as compared to the same period of 2017. During the Period, smart energy business generated a revenue of approximately RMB403,503,000 for the Group (for the same period of 2017: RMB178,148,000), and the profit attributable to owners of the Company was approximately RMB90,913,000 (for the same period of 2017: RMB24,351,000), contributing to 92.0% of the Group's revenue and 112.3% of the profit attributable to owners of the Company, respectively.

## BUSINESS REVIEW

### Smart Energy Business

The Group's smart energy business, positioned as comprehensive energy service for the user side, mainly sets out to meet the demand of industrial, commercial and residential clients as well as public institutions; provides customers with a full range of smart energy comprehensive utilization services based on various energy resources including electricity, heat and gas by leveraging on our smart energy cloud platform (the "**Cloud Platform**") with proprietary intellectual property rights.

The Group seeks to meet the above business objectives by integrating energy systems with the internet technology. On one hand, the Group acquires premium energy assets and projects by expanding its offline business in such areas as electricity, heat and gas, and earns stable operation and investment revenue from operating and managing such assets as electricity, heat and gas. On the other hand, the Group uploads the real-time data of electricity, heat and gas from industrial and commercial enterprises and residential users to the Cloud Platform, integrates big data, and taps into the value of big data to provide users with other services that cover the entire industrial chain, from multi-energy complementation of electricity, heat and gas, smart operation, energy trade, energy efficiency analysis and consultancy management to energy finance and energy big data.

### Offline Energy Business

#### *Electrical energy business*

The Group's electrical energy business principally focuses on distributed solar photovoltaic power stations and incremental power distribution grids. The former mainly includes industrial and commercial distributed power stations, as well as home photovoltaic systems.

During the Period, the Group held a total of ten solar power stations (including nine industrial and commercial distributed solar power stations and one ground power plant), with an aggregate installed capacity of approximately 54 MW. During the Period, the Group's power generation of the ten solar power stations totaled 35,078 MWh, with all the power stations running steadily and generating power with grid connection. In June 2018, all qualified solar power stations of the Group were successfully included into the Catalogue of the Seventh Batch of Subsidy Recipients pursuant to the Publication of the "Notice on the Renewable Energy Tariff Subsidy Catalogue (Batch 7)" (《關於公佈可再生能源電價附加資金補助目錄(第七批)的通知》) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration. Currently, all solar power stations held by the Group have been included into the Seventh Batch of National Subsidy Catalogue, except Guangdong Jiangmen Lingzhi Power Station (with an installed capacity of 1 MW) which is expected to be included into the Eighth Batch of National Subsidy Catalogue.

In respect of home photovoltaic systems, benefiting from the rapid development of the Chinese solar photovoltaic business in the first half of this year, during the Period, the Group's contracted sales of home systems totaled approximately 111 MW, with actual shipments of approximately 73 MW and 6,271 new home system users which have brought the number of users to more than 19,300.

In respect of incremental distribution grids, the Group saw stable operation of its Xinjiang distribution grid project. During the Period, the project recorded an electricity sales volume of approximately 479.66 million KWh, from which the Group can obtain a certain price difference for each unit of electricity. Meanwhile, the Group actively explored other development opportunities for the incremental distribution grid business and related industries to lay the foundation for the Group's relevant business in the second half of the year.

***Thermal energy business***

There are huge development opportunities in urban centralized heat supply and distributed heat supply, as China carries out the policy of saving energy, reduce emissions and eliminating backward production capacity across the country, especially the implementation of the clean heating scheme in Northern China. During the Period, the Group strengthened its investment and layout in thermal energy, particularly in distributed heating supply. In July 2018, the Group acquired 55% equity interest in Tianjin Haitian Fangyuan Energy Saving Technology Co., Ltd. (天津海天方圓節能技術有限公司) ("**Haitian Fangyuan**") and 40% equity interest in Shangdong Hailifeng Clean Energy Co., Ltd. (山東海利豐清潔能源股份有限公司) ("**Hailifeng**"). The above-mentioned enterprises have extensive industry and technology experience in the development and operation management of clean heating projects, technological energy-saving, as well as energy performance contracting (EPC). By way of cooperating with leading enterprises, the Group worked to enter the heat supply market of Northern China, especially the market of distributed heat supply market and that of "replacing coal with clean energy" for the Pan-Capital Economic Circle.

### *Others*

In addition, during the Period, the Group extended its layout to gas and other clean energy, with investment and development taking place based on the development opportunities of the industry and the Company's comprehensive assessment.

The investment in and layout of the above clean energy fields, such as electricity, heat and gas, aiming to promote and improve the Group's multi-energy complementation business.

## Online Cloud Platform

The Cloud Platform is central to the Group's smart energy services. In terms of developing and building the Cloud Platform, based on the existing system, the Group was engaged in the second phase of transformation and upgrade of home distributed photovoltaic system, by integrating artificial intelligence into the system to further improve its analysis and detection function and reduce the operation and maintenance cost of home power stations. Meanwhile, the development and launch of the thermal energy subsystem has laid a good foundation for the subsequent development of the Group's thermal business. In addition, during the Period, the Group continued to strengthen its technological research and development and investment in the Cloud Platform, and applied for and protected patent technologies for relevant research results, so as to support data access to and business development of the Group regarding heat, electricity, gas, intelligent operation and maintenance, energy efficiency analysis, etc.

During the Period, the smart energy business generated a revenue of approximately RMB403,503,000 (for the same period of 2017: RMB178,148,000) for the Group, representing a significant increase of 126.5% as compared to the same period of last year. Profit attributable to owners of the Company was approximately RMB90,913,000 (for the same period of 2017: RMB24,351,000), representing an increase of approximately 273.3% as compared to the same period of last year. The growth in revenue and profit attributable to owners of the Company was mainly due to the increase in revenue and profit from smart energy business, especially from home photovoltaic systems.

## Public Infrastructure Construction Business

Public infrastructure construction business represents the public infrastructure construction business of the Baoding Donghu Project (the "**Baoding Donghu Project**") and related preliminary investment and post-construction operation management business. During the Period, the Baoding Donghu Project generated a revenue of approximately RMB35,189,000 (for the same period of 2017: RMB107,987,000) for the Group and the profit attributable to owners of the Company of approximately RMB3,450,000 (for the same period of 2017: RMB26,244,000). As smart energy business constitutes its principal business activities, the Group has no plan to further expand such related business after the Baoding Donghu Project was completed.

## BUSINESS OUTLOOK

Looking into the second half of the year 2018, the fundamentals of the global economy are expected to remain in moderate fluctuation. Affected by China-US trade war, the Chinese economy is under considerable downward pressure. However, China is bound to embrace low-carbon economy, which also presented tremendous opportunities for fresh economic development. For the years to come, the Group considers that China will see continuous growth in its industry of clean and renewable energy.

In respect of the photovoltaic industry, the Chinese National Development and Reform Commission, the Ministry of Finance and the National Energy Administration jointly issued 《關於 2018年光伏發電有關事項的通知》(Notice on Matters Related to Photovoltaic Power Generation in 2018) on 31 May 2018, which adjust the development criterion for various types of photovoltaic power stations and the on-grid tariffs of three types of geographical locations. The relevant policies will cool down China's photovoltaic industry which was developed rapidly over the past few years. The photovoltaic industry in China may face a round of industry reshuffle. The new policy is expected to have obvious short-term impact on the solar energy business of the Group. In a long run, given the reduced reliance of photovoltaic power generation on the government grants and the arrival of grid parity, photovoltaic power generation is able to not only replace some regular energy, but is expected to develop into a predominant source of energy supply. With cost and technology advantages, photovoltaic power generation enterprises will enjoy better development after industry reshuffle. We will pay close attention to the development trend of the photovoltaic industry, and actively explore new models for the development of solar energy business.

In respect of clean heating, ten Chinese government departments jointly issued the "Winter Clean Heating Plan for Northern China (2017–2021)" (《北方地區冬季清潔取暖規劃(2017–2021年)》) at the end of 2017, specifying that Northern China will have a clean-heating rate of 50% by 2019 and 70% by 2021. Under such planning, heating powered by clean energy will gain continuous development momentum.

In respect of expanding the offline business, in view of the opportunities from China's energy industry restructuring, energy conservation and emissions reduction as well as the prevention and control of air pollution, the Group will focus on diversified investment and layout of heat energy during the second half of the year, especially in such areas as distributed heat supply, gas and technological transformation for energy conservation, by way of investment, mergers and acquisitions and cooperation with leading partners. In the meantime, the Group will leverage on the established market channels and customer resources to expand its investment and layout in incremental distribution grid.

In respect of the online business, the Group will maintain the Cloud Platform system and launch access to new data and continuously improve and optimize the operational capabilities of various systems. Apart from that, the emphasis will be placed on improving and upgrading the thermal energy subsystem, and connecting real-time data to the thermal energy subsystem of the Cloud Platform so as to provide proprietors with remote control of heat supply, intelligent operation and maintenance, energy efficiency analysis and energy performance contracting. At the same time, greater cooperation with external enterprises will take place, to continue to enlarge the online clientele on the Cloud Platform. accumulate big data and explore the value of big data.

Through the aforementioned approaches, the Group seeks to constantly diversify and improve the structure of its smart energy industry, widen its sources of income and profit on a going basis, and create sustainable returns to its shareholders.

## FINANCIAL REVIEW

### Revenue and Gross Profit

The Group's revenue and gross profit from continuing operations for the Period amounted to RMB438,692,000 (for the same period of 2017: RMB286,135,000) and RMB158,731,000 (for the same period of 2017: RMB87,806,000), increased by 53.3% and 80.8% respectively as compared to the same period of last year. Revenue and gross profit from the smart energy business were RMB403,503,000 (for the same period of 2017: RMB178,148,000) and RMB155,507,000 (for the same period of 2017: RMB61,246,000) respectively, representing an increase of 126.5% and 153.9%, respectively, as compared to the same period of last year. The increase in revenue and gross profit were mainly attributable to the growth in revenue and gross profit from the smart energy business, especially home system business.

### Selling and Distribution Expenses

Selling and distribution expenses incurred by the Group for the Period was RMB15,105,000 (for the same period of 2017: RMB8,041,000), representing an increase of 87.8% as compared to the same period of last year. The increase for the Period was mainly due to the increase in marketing expenses for the smart energy business, especially the home system.

### Administrative Expenses

Administrative expenses incurred by the Group for the Period was RMB43,644,000 (for the same period of 2017: RMB22,477,000), representing an increase of 94.2% 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 business.

### Finance Expenses — Net

The Group's net finance expenses for the Period amounted to RMB8,170,000 (for the same period of 2017: RMB6,260,000), representing an increase of 30.5% as compared to the same period of last year. The increase for the Period was 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 Period were RMB13,244,000 (for the same period of 2017: RMB8,023,000), representing an increase of 65.1% as compared to the same period of last year. The increase for the Period was mainly due to income tax expenses for the sales of home photovoltaic systems.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Cash position

As at 30 June 2018, bank balances and cash were approximately RMB289,338,000 (31 December 2017: RMB108,701,000), of which approximately RMB1,670,000 (31 December 2017: RMB1,679,000) were restricted bank balances and cash (only available for payment of expenses incurred by the Baoding Donghu Project). Such increase was mainly due to the proceeds from rights issue and receivables from the operation of the smart energy business obtained in March 2018.

### Total current assets and liquidity ratio

As at 30 June 2018, total current assets and liquidity ratio (total current assets/total current liabilities) were approximately RMB1,774,724,000 (31 December 2017: RMB1,404,387,000) and 4.11 (for the same period of 2017: 2.73), respectively. The increase in total current assets and the growth in liquidity ratio were primarily due to the increase in cash and bank deposits.

### External borrowings and pledge of assets

As at 30 June 2018, the Group had an external borrowing of RMB855,425,000 (31 December 2017: RMB933,545,000), of which RMB296,550,000 (31 December 2017: RMB310,500,000) was secured by certain machineries of solar power stations with carrying value of RMB343,505,000 (31 December 2017: RMB350,730,000) and future receivables collection right of certain subsidiaries, RMB268,875,000 (31 December 2017: RMB328,045,000) was secured by future receivables collection right of certain subsidiaries, and RMB290,000,000 was secured by the guarantees made by the related parties of the Group (31 December 2017: RMB295,000,000).

### Gearing ratio

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

| | **30 June 2018** *RMB'000* | 31 December 2017 *RMB'000* |
|---|---|---|
| Bank loans | **855,425** | 933,545 |
| Less: Cash and cash equivalents | **(287,668)** | (107,022) |
| Restricted cash | **(1,670)** | (1,679) |

| | 30 June 2018 *RMB'000* | 31 December 2017 *RMB'000* |
|---|---|---|
| Net debt | **566,087** | 824,844 |
| Total equity | **1,311,883** | 774,801 |
| Total capital (Net debt plus total equity) | **1,877,970** | 1,599,645 |
| Gearing ratio (Net debt/total capital) | **30.1%** | 51.6% |

As at 30 June 2018, the gearing ratio of the Group was 30.1%, decreased by 21.5 percentage points as compared to the gearing ratio of 51.6% as at 31 December 2017. The decrease was primarily due to the increase in the total equity for the Period. Long-term debts were the principle debts of the Group, accounting for 64.4% (31 December 2017: 69.3%), in which the borrowings of RMB296,550,000 (31 December 2017: RMB310,500,000) of the solar energy business were gradually settled with the proceeds from sale of electricity, and the borrowings of RMB558,875,000 (31 December 2017: RMB623,045,000) in relation to Baoding Donghu Project will be gradually settled with the project settlements by the Government of Baoding in the second half of 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 Period, interest rates of external borrowings ranged from 5.39% to 7.50% per annum (31 December 2017: 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 ranging from 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 interest 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 authorised to buy and sell foreign exchange. The exchange rates adopted for foreign exchange transactions are the rates of exchange quoted by the People's Bank of China, which are determined largely by supply and demand.

The Group currently does not have a policy on foreign currency risk as it had few 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 RMB136,986,000 as at 30 June 2018 (31 December 2017: approximately RMB5,681,000).

**Contingent liabilities**

As at 30 June 2018, the Group did not have any contingent liabilities (31 December 2017: Nil).

## RELIANCE ON KEY CUSTOMERS

During the Period, revenue from the smart energy business amounted to approximately RMB403,503,000 (for the same period of 2017: RMB178,148,000), representing approximately 92.0% of the Group's revenue (for the same period of 2017: 62.3%). As the revenue from the smart energy business 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 Hebei Zhanyuan. Since the majority of settlements from Hebei Zhanyuan were collected in normal progress, the Group is not exposed to any significant risk.

## MATERIAL ACQUISITION AND DISPOSAL

During the Period, the Group had no material acquisition and disposal.

## SIGNIFICANT INVESTMENT

On 4 June 2018, Baoding Yize New Energy Technology Company Limited (保定溢澤新能源科技有限公司) ("**Baoding Yize**"), an indirect wholly-owned subsidiary of the Company, made additional capital injection of RMB45 million to Longyao (Beijing) Clean Energy Technology Company Limited (隆耀(北京)清潔能源科技有限公司) ("**Longyao Beijing**") in proportion of shareholding. Upon completion of the capital increase, the total registered capital of Longyao Beijing will be RMB300 million and held as to 45% by Baoding Yize, which is same as the proportion of shareholding before the capital increase. The capital increase was based on the future development prospect of Longyao Beijing and the clean energy industry, as well as the performance of other companies in the PRC which engage in clean energy business.

For details, please refer to the discloseable transaction announcement of the Company dated 4 June 2018.

Save for disclosed above, the Group had no other significant investment during the Period.

## EMPLOYEES AND REMUNERATION POLICIES

The Group had 242 employees as at 30 June 2018 (30 June 2017: 353 employees). The decrease in the number of employees was primarily due to partial adjustment to the structure of the smart energy 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.

## EVENTS AFTER THE PERIOD

On 9 July 2018, Beijing Longguang Energy Technology Co., Ltd., an indirect wholly-owned subsidiary of the Company, invested RMB61 million in Haitian Fangyuan through capital injection. Upon completion of the capital injection, the Company had indirectly held 55% shares of Haitian Fangyuan, and Haitian Fangyuan had became an indirect non-wholly-owned subsidiary of the Company.

For details, please refer to the voluntary announcement of the Company dated 9 July 2018.

On 26 July 2018, Beijing Longguang Energy Technology Co., Ltd., an indirect wholly-owned subsidiary of the Company, invested RMB60 million in Hailifeng. Upon completion of the investment, the Company had indirectly held 40% equity interests of Hailifeng, and Hailifeng became an associate of the Company.

For details, please refer to the discloseable transaction announcement of the Company dated 26 July 2018.

Pursuant to the announcement of the Company dated 22 August 2018, Gao Bei Dian City Guangshuo New Energy Co., Ltd.* (高碑店市光碩新能源有限責任公司), an indirect wholly-owned subsidiary of the Company, had entered into an agreement with Baoding Lightway Green Energy Technology Co., Ltd.* (保定光為綠色能源科技有限公司), an indirect company owned as to 69% by Mr. Wei Qiang, an executive Director and co-chief executive officer of the Company, to acquire the ownership and operation right of a 10.2 MW distributed solar power station located at the Lightway Industrial Park, Hebei Province, the PRC, for the consideration of RMB30 million. The acquisition is still subject to the approval by the independent shareholders at an extraordinary general meeting.

For details, please refer to the announcement of the Company dated 22 August 2018.

On 27 August 2018, 106,182,000 placing shares have been successfully placed by the Company's placing agent to not less than six placees at the placing price of HK$1.37 per placing share. The aggregate gross proceeds from the placing are approximately HK$145.47 million, and the aggregate net proceeds from the placing are approximately HK$143 million. The 106,182,000 placing shares represent (i) 7.70% of the number of shares in issue immediately before the completion of the placing; and (ii) 7.15% of the number of shares in issue as enlarged by the allotment and issue of the placing shares.

For details, please refer to the announcements of the Company dated 27 July 2018, 10 August 2018, 17 August 2018 and 27 August 2018, respectively.

## USE OF PROCEEDS

As at the date of this announcement, the Company had carried out the following fund raising activity and the actual use of proceeds:

| Date of announcement | Fund raising activity | Net proceeds | Proposed use of proceeds | Actual use of proceeds |
|---|---|---|---|---|
| 21 March 2018 | Rights issue on the basis of one rights share for every two shares | Approximately HK$549 million | (a) Approximately HK$384 million (being 70% of the net proceeds) for the development of smart energy and solar energy businesses; and | (a) Approximately HK$208 million was used as intended, and the balance will be used as intended; and |
| | | | (b) Approximately HK$165 million (being 30% of the net proceeds) as general working capital of the Group | (b) Approximately HK$67 million was used as intended, and the balance will be used as intended |
| 27 August 2018 | 106,182,000 placing shares placed at a placing price of HK$1.37 per placing share | Approximately HK$143 million | Among the net proceeds, approximately 52% for repayment of short-term bank borrowings; approximately 30% for financial investment; approximately 18% as general working capital of the Group | Will be used as intended |

### Compliance with the CG Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (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. Mr. Yuen Chi Ping, an executive Director, is both the Vice-chairman of the Board and Co-Chief Executive Officer. 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 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 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 results announcement 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 2017: 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 2018 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, 29 August 2018

*As at the date of this announcement, the executive Directors are Mr. Wei Qiang, Mr. Yuen Chi Ping 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.*

* *For identification purpose only*