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 2020

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 2020 (the "**Period**") together with selected explanatory notes and the comparative figures for the corresponding period in 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4	**54,692**	64,509
Cost of sales		**(32,351)**	(26,052)
Gross profit		**22,341**	38,457
Selling and distribution expenses		**(16)**	(1,243)
Administrative expenses		**(20,198)**	(37,565)
Impairment losses on financial assets		**(4,979)**	(1,516)
Impairment losses on property, plant and equipment		**(5,474)**	—
Impairment losses on goodwill		**(138)**	—
Other income		**370**	53
Other gains — net	5	**385**	2,014
Operating (loss)/profit		**(7,709)**	200
Finance income		**2,330**	11,761
Finance expenses		**(13,479)**	(8,080)
Finance (expenses)/income — net		**(11,149)**	3,681
Share of net (loss)/profit of associates accounted for using the equity method	6	**(14,189)**	19,445
(Loss)/profit before income tax		**(33,047)**	23,326
Income tax credit/(expense)	7	**650**	(1,867)
(Loss)/profit for the period		**(32,397)**	21,459
(Loss)/profit is attributable to:			
Owners of the Company		**(31,046)**	18,435
Non-controlling interests		**(1,351)**	3,024
		(32,397)	21,459

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(CONTINUED)*

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		RMB	*RMB*
	Notes	**(Unaudited)**	(Unaudited)
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
Basic (loss)/earnings per share	*8(a)*	**(0.0209)**	0.0124
Diluted (loss)/earnings per share	*8(a)*	**(0.0209)**	0.0124

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(32,397)**	21,459
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas operations	**3,112**	426
Other comprehensive income for the period, net of tax	**3,112**	426
Total comprehensive (loss)/income for the period	**(29,285)**	21,885
Total comprehensive (loss)/income for the period is attributable to:		
Owners of the Company	**(27,934)**	18,861
Non-controlling interests	**(1,351)**	3,024
	(29,285)	21,885

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**458,364**	477,990
Right-of-use assets		**20,048**	19,861
Intangible assets		**7,655**	9,551
Deferred tax assets		**71,094**	70,007
Contract assets		**—**	43,738
Investments accounted for using the equity method		**266,456**	280,645
Financial assets at amortised cost		**4,000**	13,750
Other non-current assets		**12,364**	10,969
Total non-current assets		**839,981**	926,511
Current assets			
Inventories		**16,297**	8,755
Contract assets		**49,025**	361,728
Trade and other receivables	*9*	**188,377**	175,969
Financial assets at amortised cost		**97,407**	123,272
Financial assets at fair value through profit or loss		**157,060**	157,003
Restricted cash		**135,302**	66,388
Cash and cash equivalents		**40,785**	32,228
Total current assets		**684,253**	925,343
Total assets		**1,524,234**	1,851,854

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(CONTINUED)*
As at 30 June 2020

	Notes	**As at 30 June 2020** ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
EQUITY			
Share capital	*10*	**12,255**	12,255
Reserves		**1,166,358**	1,162,613
Retained earnings		**9,872**	40,918
Equity attributable to owners of the Company		**1,188,485**	1,215,786
Non-controlling interests		**7,956**	9,307
Total equity		**1,196,441**	1,225,093

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET *(CONTINUED)*

As at 30 June 2020

	Notes	**As at 30 June 2020** *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**223,200**	235,400
Lease liabilities		**12,489**	12,016
Deferred government grants		**2,236**	2,279
Deferred tax liabilities		**11,696**	11,891
Total non-current liabilities		**249,621**	261,586
Current liabilities			
Trade and other payables	*11*	**35,859**	50,184
Contract liabilities		**177**	1,009
Current tax liabilities		**14,083**	11,854
Borrowings		**24,200**	299,000
Lease liabilities		**3,853**	3,128
Total current liabilities		**78,172**	365,175
Total liabilities		**327,793**	626,761
Total equity and liabilities		**1,524,234**	1,851,854

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

LongiTech Smart Energy Holding Limited (the "**Company**") was incorporated in the Cayman Islands on 4 January 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. 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 business and public infrastructure construction business. The two major shareholders of the Company are Longevity Investment Holding Limited and Lightway Power Holdings Limited. The ultimate beneficial owner of the Company is Mr. Wei Shaojun (the "**controlling shareholder**").

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting".

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the annual report for the year ended 31 December 2019, 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 year ended 31 December 2019 and corresponding interim reporting period.

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of electricity	**31,766**	33,190
Sales of home photovoltaic systems and rendering smart energy services	**7,566**	31,319
Public infrastructure construction	**15,360**	—
	54,692	64,509
Timing of revenue recognition		
At a point in time	**33,651**	36,213
Over time	**21,041**	28,296
	54,692	64,509

(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 presents the following two reportable segments:

- Smart energy business, and
- Public infrastructure construction business.

No geographical information is presented as substantially all of the Group's business activities were in the People's Republic of China (the "**PRC**").

Reportable segment profit or loss, assets and liabilities are as follows:

	Smart energy business *RMB'000*	**Public infrastructure construction business** *RMB'000*	**Unallocated** *RMB'000*	**Intersegment eliminations** *RMB'000*	**Total** *RMB'000*
Six months ended 30 June 2020 (unaudited)					
Revenue from external customers	39,332	15,360	—	—	54,692
Impairment losses on financial assets	(4,979)	—	—	—	(4,979)
Impairment losses on property, plant and equipment	(5,474)	—	—	—	(5,474)
Impairment losses on goodwill	(138)	—	—	—	(138)
Finance income	1,681	581	68	—	2,330
Finance expenses	(7,597)	(5,835)	(47)	—	(13,479)
Share of net loss of associates accounted for using the equity method	(14,189)	—	—	—	(14,189)
Income tax credit	650	—	—	—	650
Loss for the period	(18,358)	(8,712)	(5,327)	—	(32,397)
Other information					
Depreciation and amortisation	(17,751)	(18)	(810)	—	(18,579)
Additions to non-current assets *(Note)*	2,925	—	21	—	2,946
As at 30 June 2020 (unaudited)					
Reportable segment assets	1,357,054	199,665	505,032	(537,517)	1,524,234
Reportable segment liabilities	708,132	154,029	3,149	(537,517)	327,793
Six months ended 30 June 2019 (unaudited)					
Revenue from external customers	64,509	—	—	—	64,509
Impairment losses on financial assets	(1,516)	—	—	—	(1,516)
Finance income	11,546	—	215	—	11,761
Finance expenses	(8,079)	—	(1)	—	(8,080)
Share of net profit of associates accounted for using the equity method	19,445	—	—	—	19,445
Income tax expense	(1,867)	—	—	—	(1,867)
Profit/(loss) for the period	38,165	(2,148)	(14,558)	—	21,459
Other information					
Depreciation and amortisation	(16,918)	(42)	(470)	—	(17,430)
Additions to non-current assets *(Note)*	7,624	—	4	—	7,628
As at 31 December 2019 (audited)					
Reportable segment assets	1,390,258	481,723	505,708	(525,835)	1,851,854
Reportable segment liabilities	721,015	427,373	4,208	(525,835)	626,761

Note: Additions to non-current assets exclude financial assets, investments accounted for using the equity method and deferred tax assets.

5 OTHER GAINS — NET

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net fair value gains on financial assets at fair value through profit or loss	**222**	355
Net foreign exchange gains/(losses)	**8**	(727)
Net losses on disposal of property, plant and equipment	**(3)**	(334)
Waiver of amounts due to suppliers	**—**	2,283
Others	**158**	437
	385	2,014

6 SHARE OF NET (LOSS)/PROFIT OF ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Share of net (loss)/profit in associates	**(14,189)**	1,445
Share of fair value of an associate's identifiable net asset over cost of investment on acquisition	**—**	18,000
	(14,189)	19,445

7 INCOME TAX CREDIT/(EXPENSES)

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**(632)**	(2,388)
Deferred income tax	**1,282**	521
	650	(1,867)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income taxes in these jurisdictions.

The Group did not make any provisions for Hong Kong profit tax as there were no assessable profits arising in Hong Kong during the six months ended 30 June 2020 (2019: nil).

For the six months ended 30 June 2020, the statutory income tax rate of entities within the Group registered in the PRC is 25% (2019: 25%), except for the following entities entitled to tax exemption or preferential rates:

- Since the respective first revenue-generating year, subsidiaries operating solar power plants are exempted from enterprise income tax for the first three years and are entitled to a 50% tax reduction for the subsequent three years.

- Tianjin Haitian Fangyuan Energy Saving Technology Co., Ltd. ("**Haitian Fangyuan**"), a subsidiary of the Company, was certified as High-Tech Enterprise of Tianjin City, effective during 23 November 2018 to 23 November 2021, Haitian Fangyuan enjoys a preferential tax rate of 15%.

- During 1 January 2018 to 31 December 2022, Hoboksar Mongol Autonomous County Sifang Dianjin Energy Co., Ltd. ("**Sifang Dianjin**"), a subsidiary of the Company, is exempted from enterprise income tax for the first two years and is entitled to a 50% tax reduction for the subsequent three years.

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and 2019, respectively:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (RMB'000)	**(31,046)**	18,435
Weighted average number of ordinary shares in issue (thousands)	**1,484,604**	1,484,604
Basic (loss)/earnings per share (RMB)	**(0.0209)**	0.0124

(b) Diluted (loss)/earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. During the six months ended 30 June 2020 and 2019, the Company had outstanding share options. The resulting number of shares issued for nil consideration is considered in the weighted average number of ordinary shares as the denominator for calculating diluted (loss)/earnings per share:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (RMB'000)	**(31,046)**	18,435
Weighted average number of ordinary shares in issue (thousands)	**1,484,604**	1,484,604
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (thousands) *(Note)*	**—**	—
Adjusted weighted average number of ordinary shares (thousands)	**1,484,604**	1,484,604
Diluted (loss)/earnings per share (RMB)	**(0.0209)**	0.0124

Note: For the six months ended 30 June 2020 and 2019, the exercise price of the share options exceeded the average market price of ordinary shares of the Company during the respective period, therefore the effect of share options was anti-dilutive and is ignored from the calculation of diluted loss per share.

9 TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Trade receivables (a)	**270,627**	274,335
Tariff adjustment receivables (b)	**82,052**	64,789
	352,679	339,124
Less: loss allowance for trade receivables	**(189,639)**	(187,467)
Total trade receivables	**163,040**	151,657
Notes receivables	**500**	700
Prepayments	**8,595**	3,295
Other receivables	**16,799**	20,317
Less: loss allowance for other receivables	**(557)**	—
	188,377	175,969

As at 30 June 2020, the collection rights of trade receivables derived from solar power plants with carrying amount of RMB104,023,000 (31 December 2019: RMB81,979,000) were pledged as security for the Group's borrowings.

Ageing analysis of trade receivables in gross basis, based on invoice date, is as follows:

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Within 1 year	**65,173**	80,268
1 year to 2 years	**87,033**	238,801
2 years to 3 years	**195,437**	18,155
Over 3 years	**5,036**	1,900
	352,679	339,124

(a) Trade receivables from sales of home photovoltaic systems, rendering smart energy services and sales of electricity are due within 180 days, one year and one month from the invoice date, respectively. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing. The allowance for trade receivables as at 30 June 2020 was determined as follows:

	Current	**Past due**			
Sales of home photovoltaic systems	**Within 6 months**	**Between 6 months to 1 year**	**Between 1 year to 2 years**	**Over 2 years**	**Total**
Individually assessed:					
Gross carrying amount (RMB'000)	222	14,634	24,129	167,207	206,192
Loss allowance (RMB'000)	—	—	(8,332)	(167,207)	(175,539)

Due to deterioration in the operations of relevant distributors in home photovoltaic system business, credit risk of trade receivables from home photovoltaic system business significantly increased since initial recognition. A total allowance for expected credit losses in trade receivables amounting to RMB175,539,000 was recognised as at 30 June 2020 and 31 December 2019.

	Current	**Past due**			
Rendering smart energy services	**Within 1 year**	**Between 1 year to 2 years**	**Between 2 years to 3 years**	**Between 3 years to 4 years**	**Total**
Individually assessed:					
Gross carrying amount (RMB'000)	—	1,377	8,470	—	9,847
Loss allowance (RMB'000)	—	(1,377)	(8,470)	—	(9,847)
Collectively assessed:					
Expected loss rate	—	5%	10%	20%	
Gross carrying amount (RMB'000)	10,705	21,912	—	—	32,617
Loss allowance (RMB'000)	—	(1,096)	—	—	(1,096)
Total loss allowance (RMB'000)					(10,943)

Sales of electricity	Current Within 1 month	Past due Between 1 month to 1 year	Between 1 year to 2 years	Between 2 years to 3 years	Between 3 years to 4 years	Total
Individually assessed:						
Gross carrying amount (RMB'000)	72	659	797	779	321	2,628
Loss allowance (RMB'000)	(72)	(659)	(797)	(779)	(321)	(2,628)
Collectively assessed:						
Expected loss rate	—	—	5%	10%	20%	
Gross carrying amount (RMB'000)	4,125	6,382	7,267	1,472	97	19,343
Loss allowance (RMB'000)	—	—	(363)	(147)	(19)	(529)
Total loss allowance (RMB'000)						(3,157)

(b) As at 30 June 2020, RMB53,678,000 (31 December 2019: RMB42,270,000) of trade receivables aged over one year represent tariff adjustment receivables, derived from the subsidies in respect of sales of electricity. Applying the expected credit risk model did not result in any loss allowance recognised for tariff adjustment receivables as at 30 June 2020 (31 December 2019: nil).

(c) Movement in the loss allowance of trade and other receivables is as follows:

	Six months ended 30 June **2020** ***RMB'000*** **(Unaudited)**	 2019 *RMB'000* (Unaudited)
Opening balance	**187,467**	18,652
Increase in loss allowance		
Trade receivables	**2,172**	1,516
Other receivables	**557**	—
Closing balance	**190,196**	20,168

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Six months ended 30 June 2020 (Unaudited)		
	No. of shares	**Amount**	**RMB equivalent**
	(thousands)	*HKD'000*	*RMB'000*
As at 1 January and 30 June	1,484,604	14,846	12,255

During 19 January 2017 to 14 September 2018, the Company granted a total of 125,565,691 share options (the "**Options**"), under its share option scheme adopted on 22 November 2011 and refreshed on 12 June 2018. The Options entitled eligible participants to subscribe for up to a total of 125,565,691 new shares with par value of HK$0.01 each in the share capital of the Company. As at 30 June 2020, there were 30,895,190 outstanding share options. For the six months ended 30 June 2020, the expense arising from share-based payment transactions recognised as part of employee benefit expense was RMB633,000 (2019: RMB5,686,000).

11 TRADE AND OTHER PAYABLES

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**14,602**	19,638
Accruals and other payables	**21,257**	30,546
	35,859	50,184

Ageing analysis of trade payables, based on invoice date, is as follows:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**5,186**	6,021
Over 1 year	**9,416**	13,617
	14,602	19,638

12 DIVIDENDS

During the six months ended 30 June 2020, the Company did not declare any dividends to the shareholders of the Company (2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the six months ended 30 June 2020 (the "**Period**"), LongiTech Smart Energy Holding Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") was principally engaged in smart energy business and public infrastructure construction business, with gradual expansion and diversification to other clean energy businesses.

For the Period, the Group's revenue was RMB54,692,000 (for the same period of 2019: RMB64,509,000), representing a decrease of 15% as compared to the same period of 2019, while loss attributable to owners of the Company was RMB31,046,000 (for the same period of 2019: profit attributable to owners of the Company was RMB18,435,000). The decrease in revenue and the turnaround from profit to loss are mainly due to:

(1) Some projects of distributed heating and heating-related management services which have higher gross profit margin had been terminated during the Period. Although the revenue generated from public infrastructure construction business increased during the Period, its gross profit margin was relatively low, resulting in a decrease of 15% in overall revenue, therefore the profit turned into loss as compared to the same period of 2019;

(2) During the same period of 2019, the Group acquired 40% equity interests in a heating company from a connected person, with the difference between the acquisition consideration and the fair value of RMB18,000,000 recorded as share of net profits of associates accounted for using the equity method; whereas there was no such profits during the Period;

(3) The share of net loss of associates accounted for using the equity method during the Period amounted to RMB14,189,000.

BUSINESS REVIEW

Smart Energy Business

The Group's smart energy business, positioned as comprehensive energy services for the user side, mainly serves to meet the demands from customers in industrial, commercial and residential sectors as well as public institutions. The Group provides its customers with a full range of smart energy comprehensive utilization services based on various energy resources including electricity, heat and gas by leveraging on its smart energy cloud platform (the "**Cloud Platform**") with proprietary intellectual property rights, to help customers improve their energy utilization efficiency and reduce energy consumption cost, whereby building a diversified, clean and low-carbon energy supply system.

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 comprehensive energy such as electricity, heat and gas, and earns stable operation and investment revenue from operating and managing such assets. On the other hand, the Group uploads the real-time data of electricity, heat and gas usage from industrial and commercial enterprises and residential users to the Cloud Platform, integrates and analyzes such big data, and taps into the energy consumption potential of customers to provide them with other services that cover the entire industrial chain, from multi-energy complementation of electricity, heat and gas, smart operation and maintenance, energy trade, energy efficiency analysis and consultancy management to energy finance and energy big data.

During the Period, the Group's smart energy business mainly consists of operating and managing its 11 existing solar power plants with an aggregate installed capacity of approximately 64 MW (for the same period of 2019: 11, with an aggregate installed capacity of approximately 64 MW), and other businesses such as distributed heating and campus hot water. Among which, the power generation business of solar power plants maintained stable operation, with a total power generation of 42,590 MWh during the Period (for the same period of 2019: 41,724 MWh). With respect to the distributed heating and campus hot water businesses, as their services are mainly targeted at schools, in which classes were suspended due to the coronavirus pandemic (the "**Pandemic**"), and the terms of certain management service contracts in relation to heating have expired, heating-related revenue and profits for the Period recorded a significant decrease as compared to the same period of last year. During the Period, the smart energy business generated revenue of approximately RMB39,332,000 for the Group (for the same period of 2019: RMB64,509,000), representing a decrease of approximately 39% as compared to the same period of last year, and loss attributable to owners of the Company was approximately RMB17,007,000 (for the same period of 2019: profit attributable to owners of the Company RMB35,141,000), representing a decrease of approximately 148% as compared to the same period of last year.

Public Infrastructure Construction Business

Public infrastructure construction business represents the public infrastructure construction business and its related preliminary investment and post-construction operation management business of the Baoding Donghu project (the "**Baoding Donghu Project**"). During the Period, the Baoding Donghu Project generated revenue of approximately RMB15,360,000 (for the same period of 2019: nil) for the Group, and loss attributable to owners of the Company amounted to approximately RMB8,712,000 (for the same period of 2019: loss attributable to the owners of the Company of approximately RMB2,148,000). The increase in revenue was mainly due to the increased investment of the Group to the public infrastructure construction during the Period; loss attributable to owners of the Company was mainly due to the low gross profit margin of public infrastructure construction and its relatively high management fees and interest expenses. As the smart energy business constitutes its principal business activities, the Group currently has no plan to further expand such business after the Baoding Donghu Project's completion.

BUSINESS OUTLOOK

Affected by the Pandemic and the complicated international situation, the global economy is facing unprecedented hit. Although China's economy is slowly recovering, the difficulties and pressures it faces are also extraordinary, which has brought huge challenges to the development of enterprises in China.

In the second half of 2020, we will review and adjust and optimize the existing business portfolio from time to time according to market conditions. At the same time, we will use our experience and resources accumulated in the home photovoltaic business to explore the new model of the home photovoltaic business, and seek appropriate investment opportunities for other clean energy businesses to continuously expand the income stream of the Group and turn deficit into surplus for the Group as soon as practicable.

FINANCIAL REVIEW

Revenue and Gross Profit

The Group's revenue and gross profit for the Period amounted to RMB54,692,000 (for the same period of 2019: RMB64,509,000) and RMB22,341,000 (for the same period of 2019: RMB38,457,000), respectively, representing a decrease of 15% and 42% respectively as compared to the same period of last year. The decrease in revenue and gross profit were mainly attributable to the decrease in revenue and gross profit related to the smart energy business, especially in the heating business.

Selling and Distribution Expenses

The Group incurred selling and distribution expenses of RMB16,000 for the Period (for the same period of 2019: RMB1,243,000), representing a decrease of 99% as compared to the same period of last year. The decrease for the Period was mainly attributable to the decrease in marketing expenses of the smart energy business.

Administrative Expenses

The Group incurred administrative expenses of RMB20,198,000 for the Period (for the same period of 2019: RMB37,565,000), representing a decrease of 46% as compared to the same period of last year. The decrease for the Period was mainly attributable to the decrease in operating expenses for smart energy business.

Finance (Expenses)/Income, Net

Net finance expenses of the Group amounted to RMB11,149,000 for the Period (for the same period of 2019: net finance income of RMB3,681,000). The net finance expenses recorded for the Period was primarily attributable to the interest expense on bank loans of solar power plants and the decrease in interest income from loans to external parties.

Income Tax Credit/(Expense)

Income tax credit of the Group amounted to RMB650,000 for the Period (for the same period of 2019: income tax expense of RMB1,867,000), representing a decrease of 135% as compared to the same period of last year. The decrease for the Period was mainly attributable to the deferred income tax expenses recognised for impairment provisions.

Financial Assets at Fair Value through Profit or Loss

The Group held three financial assets for investment purpose during the Period, which were stated at fair value:

(1) The Group held shares in an unlisted investment fund, Giga Opportunities Fund Ltd., an independent third party, at a total investment cost of HK$90,000,000 (equivalent to RMB78,859,000). The Group has the intention of holding it as a short-to-medium term investment redeemable upon application to the fund manager, which allowed better investment flexibility, and with an expection of sharing of profits and capital appreciation from the fund. The fund was stated at fair value, which amounted to HK$80,730,000 (equivalent to RMB73,743,000) as at 30 June 2020 (fair value as at 31 December 2019 amounted to HK$80,333,000, equivalent to RMB71,960,000), with a fair value gain for the Period of approximately HK$397,000 (equivalent to RMB360,000) (for the same period of 2019: a fair value gain of approximately HK$174,000, equivalent to approximately RMB150,000). As at 30 June 2020, the carrying amount of the fund represented approximately 4.8% (as at 31 December 2019: 3.9%) of the total assets of the Group, and approximately 46.9% (as at 31 December 2019: 45.9%) of the portfolio of financial assets at fair value through profit or loss.

(2) The Group held shares in an unlisted investment fund, Yue Xiu Stable Income Segregated Portfolio, an independent third party, at an investment cost of HK$88,800,000 (equivalent to RMB77,806,000). The Group had the intention of holding it as a short to medium term investment redeemable upon application to the fund manager, which allowed better investment flexibility, with an expection of sharing of capital appreciation from the fund. The fund was stated at fair value, which amounted to HK$88,588,000 (equivalent to RMB80,920,000) as at 30 June 2020 (fair value as at 31 December 2019 amounted to HK$89,452,000, equivalent to RMB80,130,000) with fair value loss for the Period of approximately HK$864,000 (equivalent to approximately RMB782,000) (for the same period of 2019: a fair value loss of approximately HK$967,000, equivalent to approximately RMB837,000). As at 30 June 2020, the carrying amount of the fund

represented approximately 5.3% (as at 31 December 2019: 4.3%) of the total assets of the Group, and approximately 52% (as at 31 December 2019: 51%) of the portfolio of financial assets at fair value through profit or loss.

(3) The Group held the unlisted exchangeable corporate bonds due on 31 December 2020 in the principal amount of HK$10,000,000 (equivalent to RMB8,762,000) at a coupon rate of 13.5% per annum issued by Supreme Trillion Development Limited, an independent third party, on 11 September 2018. The Group may exercise exchangeable rights to convert the whole or part of the exchangeable corporate bonds into the ordinary shares of Asia Interactive Content Holdings Limited, a subsidiary of Supreme Trillion Development Limited, representing approximately 8.5% or 10% (as the case may be) of its issued share capital.

The Group requested to redeem the exchangeable corporate bonds in August 2019. The remaining principal amount of the exchangeable corporate bonds was HK$2,502,000 (equivalent to RMB2,267,000) as at 30 June 2020 (as at 31 December 2019: the remaining principal amount was HK$5,455,000, equivalent to RMB4,887,000), with a fair value of HK$2,625,000 (equivalent to RMB2,397,000) (as at 31 December 2019: HK$5,485,000, equivalent to RMB4,913,000). During the Period, the exchangeable corporate bonds generated a fair value gain of approximately HK$92,000 (equivalent to RMB84,000) (for the same period of 2019: a fair value gain of HK$535,000, equivalent to RMB463,000). As at 30 June 2020, the carrying amount of the exchangeable bonds represented approximately 0.2% (as at 31 December 2019: 0.3%) of the total assets of the Group and approximately 1.5% (as at 31 December 2019: 3.1%) of the portfolio of financial assets at fair value through profit or loss.

The Group's investments primarily consist of long-term projects in the areas of smart energy and public infrastructure construction, which generally take extended periods of time to generate positive cash flows. In the event of any unexpected event that has a negative impact on the business and prospects of the smart energy industry, the Group's overall business performance may be affected. In light of the above, as part of the Group's development plan and risk control, the board of directors (the "**Board**") of the Company considered that the inclusion of investment in financial assets would help diversify its asset and investment portfolio and reduce the impact of any market risk on the overall business of the Group.

The strategy of the Group with respect to the investment in financial assets is not to invest in speculative securities but mainly in investments with lower risks, with the initial investments focusing on investment funds managed by qualified and licensed investment managers. Such funds invest in low-risk underlying assets with relative low price volatility, high liquidity, short to medium term and/or stable income stream.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash Position

As at 30 June 2020, bank balances and cash amounted to approximately RMB176,087,000 (as at 31 December 2019: RMB98,616,000), of which approximately RMB135,302,000 (as at 31 December 2019: RMB66,388,000) was restricted bank balances and cash (mainly used for the expenses incurred by the Baoding Donghu Project). Such increase in bank balances and cash was mainly due to the government rebates for the Baoding Donghu Project.

Total Current Assets and Current Ratio

As at 30 June 2020, total current assets and current ratio (total current assets/total current liabilities) were approximately RMB684,253,000 (as at 31 December 2019: RMB925,343,000) and 8.75 (as at 31 December 2019: 2.53), respectively. The decrease in total current assets was mainly due to the decrease in contract assets, while the increase in current ratio was mainly due to the decrease in one-year borrowings.

External Borrowings and Pledge of Assets

As at 30 June 2020, the Group had external borrowings of RMB247,400,000 (as at 31 December 2019: RMB534,400,000), of which RMB247,400,000 was secured by the machineries of solar power plants with a carrying amount of RMB293,597,000 and the collection rights of future receivables of certain subsidiaries (as at 31 December 2019: RMB259,400,000 was secured by the machineries of solar power plants with a carrying amount of RMB302,146,000 and the collection rights of future receivables of certain subsidiaries).

Gearing Ratio

The table below sets forth the calculation of the gearing ratios of the Group as at the dates indicated:

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Bank loans	**247,400**	534,400
Lease liabilities	**16,342**	15,144
Less: Cash and cash equivalents	**40,785**	(32,228)
Restricted cash	**135,302**	(66,388)
Net debt	**87,655**	450,928
Total equity	**1,196,441**	1,225,093
Total capital (Net debt plus total equity)	**1,284,096**	1,676,020
Gearing ratio (Net debt/total capital)	**6.8%**	26.9%

As at 30 June 2020, the gearing ratio of the Group was 6.8%, representing a decrease of 20.1 percentage points as compared to 26.9% as at 31 December 2019. The decrease was primarily due to the increase in cash and cash equivalents held and the decrease in debt.

Long-term and short-term debts accounted for 90% and 10%, respectively (as at 31 December 2019: 44.0% and 56.0%), of which the borrowings of RMB247,400,000 of the solar power business were gradually settled by the proceeds from electricity sales, and the borrowings for the Baoding Donghu Project has been fully repaid during the Period. Therefore, the Group was 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 5.63% per annum (as at 31 December 2019: interest rates of 5.39% to 7.00% per annum). In particular, the borrowings for the Baoding Donghu Project have been settled. The interest rate applicable to the borrowings for solar power plants changed to LPR5Y issued by the National Interbank Funding Centre under the authority of the People's Bank of China, and inflated to 74BP to 98BP. The changes in LPR are mainly driven by the market. Nevertheless, the Group expects that the interest rate risk will 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 foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

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

Capital Commitments

As at 30 June 2020, the Group's capital commitments amounted to approximately RMB101,600,000 (as at 31 December 2019: RMB101,600,000),which were mainly investment in associates.

Contingent Liabilities

As at 30 June 2020, the Group did not have any contingent liabilities (as at 31 December 2019: nil).

Fund Raising Activities

The Company did not have any fund raising activities during the Period.

MATERIAL ACQUISITION AND INVESTMENT

The Group had no material acquisition and investment during the Period.

MATERIAL DISPOSAL

The Group had no material disposal during the Period.

EMPLOYEES AND REMUNERATION POLICES

The Group had 87 employees as at 30 June 2020 (as at 30 June 2019: 98 employees). The decrease in the number of employees was primarily due to the Group's staff optimization and strengthening the management to cost control. 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, in order 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 schemes for the benefit of the directors (the "**Directors**") of the Company and the eligible employees of the Group.

EVENTS AFTER THE PERIOD

Since Shengli Oilfield Lifeng Industrial Group Co., Ltd.* ("**Shengli Oilfield Lifeng**") and Shandong Hailifeng Clean Energy Joint Stock Co., Ltd.* ("**Shandong Hailifeng**") failed to pay the repurchase consideration of RMB60,000,001 to Beijing Longguang Energy Technology Co., Ltd* ("**Beijing Longguang**", a wholly-owned subsidiary of the Company) in accordance with the repurchase agreement (the "**Repurchase Agreement**"), in order to settle the outstanding consideration (the "**Debt**") under the Repurchase Agreement, on 10 August 2020, Shengli Oilfield Lifeng, Shandong Hailifeng and Shandong Shengfeng Heating Co., Ltd* ("**Shengfeng Heating**") entered into a settlement agreement (the "**Settlement Agreement**") with Beijing Longguang, pursuant to which Shengli Oilfield Lifeng and Shandong Hailifeng agreed to settle the Debt by way of Shandong Hailifeng transferring 90% of the interest in Shengfeng Heating held by it to Beijing Longguang at the consideration of RMB60,000,000.

Upon completion of the transfer under the Repurchase Agreement, Shengfeng Heating will be owned as to 90% by the Group and as to 10% by Shandong Hailifeng. Notwithstanding that Shengfeng Heating will be owned as to 90% by the Group, the Company currently considered that the transfer is for settling the Debt and therefore, from accounting perspective, Shengfeng Heating shall not be accounted as a subsidiary of the Group and its results shall not be consolidated in the financial statements of the Group.

For details, please refer to the announcement of the Company dated 10 August 2020.

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 Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") 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 (suspended with effect from 19 June 2020). 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 requirements of the Model Code.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**"), together with the management, has 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 requirements of 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 2019: 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 2020 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

Hebei, 21 August 2020

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