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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 2021**

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 2021 (the “**Period**”) together with selected explanatory notes and the comparative figures for the corresponding period in 2020 as follows:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
	Notes	(Unaudited)	(Unaudited)
Revenue	4	225,480	54,692
Cost of sales		<u>(174,407)</u>	<u>(32,351)</u>
<b>Gross profit</b>		<b>51,073</b>	22,341
Selling and distribution expenses		(12,614)	(16)
Administrative expenses		(27,257)	(20,198)
Impairment losses on financial assets		(27)	(4,979)
Impairment losses on property, plant and equipment		(31,132)	(5,474)
Impairment losses on right-of-use assets		(679)	—
Impairment losses on goodwill		(366)	(138)
Impairment losses on other intangible assets		(113)	—
Other income		63	370
Other gains — net	5	<u>10,591</u>	<u>385</u>
<b>Operating loss</b>		<b>(10,461)</b>	(7,709)
Finance income		5,772	2,330
Finance expenses		<u>(6,819)</u>	<u>(13,479)</u>
Finance expenses — net		(1,047)	(11,149)
Share of net profit/(loss) of associates accounted for using the equity method	6	<u>2,997</u>	<u>(14,189)</u>
<b>Loss before income tax</b>		<b>(8,511)</b>	(33,047)
Income tax (expense)/credit	7	<u>(707)</u>	<u>650</u>
<b>Loss for the period</b>		<b><u>(9,218)</u></b>	<b><u>(32,397)</u></b>
<b>Loss is attributable to:</b>			
Owners of the Company		(8,888)	(31,046)
Non-controlling interests		<u>(330)</u>	<u>(1,351)</u>
		<b><u>(9,218)</u></b>	<b><u>(32,397)</u></b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)***For the six months ended 30 June 2021*

		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
		<b>RMB</b>	<b>RMB</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss per share for loss attributable to owners of the Company</b>			
Basic loss per share	8	<u><b>(0.0060)</b></u>	<u><b>(0.0209)</b></u>
Diluted loss per share	8	<u><b>(0.0060)</b></u>	<u><b>(0.0209)</b></u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Loss for the period</b>	<b>(9,218)</b>	<b>(32,397)</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of overseas operations	<u>555</u>	<u>3,112</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>555</u>	<u>3,112</u>
<b>Total comprehensive loss for the period</b>	<u><b>(8,663)</b></u>	<u><b>(29,285)</b></u>
<b>Total comprehensive loss for the period is attributable to:</b>		
Owners of the Company	(8,333)	(27,934)
Non-controlling interests	<u>(330)</u>	<u>(1,351)</u>
	<u><b>(8,663)</b></u>	<u><b>(29,285)</b></u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at <b>30 June</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2020 <i>RMB'000</i> <b>(Audited)</b>
	<i>Notes</i>		
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		394,594	442,794
Right-of-use assets		15,600	16,143
Intangible assets		5,462	6,789
Deferred tax assets		71,577	71,692
Investments accounted for using the equity method		266,394	263,397
Other non-current assets		<u>9,937</u>	<u>9,605</u>
<b>Total non-current assets</b>		<u><b>763,564</b></u>	<u>810,420</u>
<b>Current assets</b>			
Inventories		86,000	28,991
Contract assets		212,872	181,263
Trade and other receivables	9	246,111	258,199
Financial assets at amortised cost		55,822	72,861
Financial assets at fair value through profit or loss		56,433	47,061
Restricted cash		6,692	139
Cash and cash equivalents		<u>167,990</u>	<u>155,446</u>
<b>Total current assets</b>		<u><b>831,920</b></u>	<u>743,960</u>
<b>Total assets</b>		<u><b>1,595,484</b></u>	<u>1,554,380</u>
<b>Equity and liabilities</b>			
Share capital	10	12,255	12,255
Reserves		1,145,254	1,143,917
Retained earnings		<u>29,088</u>	<u>38,758</u>
<b>Equity attributable to owners of the Company</b>		<b>1,186,597</b>	1,194,930
<b>Non-controlling interests</b>		<u><b>6,619</b></u>	<u>6,986</u>
<b>Total equity</b>		<u><b>1,193,216</b></u>	<u>1,201,916</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***As at 30 June 2021*

		As at <b>30 June</b> <b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		<b>198,650</b>	211,000
Lease liabilities		<b>12,050</b>	9,213
Deferred government grants		<b>2,119</b>	2,173
Deferred tax liabilities		<b>11,172</b>	11,490
<b>Total non-current liabilities</b>		<b>223,991</b>	233,876
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	<b>109,428</b>	68,919
Contract liabilities		<b>37,607</b>	11,939
Current tax liabilities		<b>5,167</b>	10,604
Borrowings		<b>24,550</b>	24,400
Lease liabilities		<b>1,525</b>	2,726
<b>Total current liabilities</b>		<b>178,277</b>	118,588
<b>Total liabilities</b>		<b>402,268</b>	352,464
<b>Total equity and liabilities</b>		<b>1,595,484</b>	1,554,380

# 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 Windward 3, Regatta Office Park, 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 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 PREPARATIONS

This interim condensed consolidated financial information for the six months ended 30 June 2021 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 2020, 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 2020 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	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of electricity	33,436	31,766
Sales of home photovoltaic systems and rendering smart energy services	131,845	7,566
Public infrastructure construction	<u>60,199</u>	<u>15,360</u>
	<u>225,480</u>	<u>54,692</u>
<i>Timing of revenue recognition</i>		
At a point in time	162,024	33,651
Over time	<u>63,456</u>	<u>21,041</u>
	<u>225,480</u>	<u>54,692</u>

##### (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 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:

	<b>Smart energy business</b>	<b>Public infrastructure construction business</b>	<b>Unallocated</b>	<b>Intersegment eliminations</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Six months ended 30 June 2021 (unaudited)</b>					
Revenue from external customers	165,281	60,199	—	—	225,480
Impairment losses on financial assets	(27)	—	—	—	(27)
Impairment losses on property, plant and equipment	(31,132)	—	—	—	(31,132)
Impairment losses on right-of-use assets	(679)	—	—	—	(679)
Impairment losses on goodwill	(366)	—	—	—	(366)
Impairment losses on other intangible assets	(113)	—	—	—	(113)
Finance income	5,656	116	—	—	5,772
Finance expenses	(6,805)	—	(14)	—	(6,819)
Share of net profit of associates accounted for using the equity method	2,997	—	—	—	2,997
Income tax expense	(707)	—	—	—	(707)
(Loss)/profit for the period	(18,381)	2,240	6,923	—	(9,218)
<i>Other information</i>					
Depreciation and amortisation	(16,469)	(15)	(727)	—	(17,211)
Additions to non-current assets ( <i>Note</i> )	35	—	—	—	35
<b>As at 30 June 2021 (unaudited)</b>					
Reportable segment assets	1,448,680	230,145	393,297	(476,638)	1,595,484
Reportable segment liabilities	700,853	177,110	943	(476,638)	402,268
<b>Six months ended 30 June 2020 (unaudited)</b>					
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)
<i>Other information</i>					
Depreciation and amortisation	(17,751)	(18)	(810)	—	(18,579)
Additions to non-current assets ( <i>Note</i> )	2,925	—	21	—	2,946
<b>As at 31 December 2020 (audited)</b>					
Reportable segment assets	1,354,378	240,042	443,416	(483,456)	1,554,380
Reportable segment liabilities	644,908	189,247	1,765	(483,456)	352,464

*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

2021 2020

*RMB'000* *RMB'000*

(Unaudited) (Unaudited)

Net fair value gains on financial assets at fair value through profit or loss	10,019	222
Net foreign exchange (losses)/gains	(492)	8
Net losses on disposal of property, plant and equipment	—	(3)
Net gains on disposal of subsidiaries	748	—
Others	316	158
	<u>10,591</u>	<u>385</u>

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

### Six months ended 30 June

2021 2020

*RMB'000* *RMB'000*

(Unaudited) (Unaudited)

Share of net profit/(loss) of associates	<u>2,997</u>	<u>(14,189)</u>
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## 7. INCOME TAX (EXPENSE)/CREDIT

### Six months ended 30 June

2021 2020

*RMB'000* *RMB'000*

(Unaudited) (Unaudited)

Current income tax	(910)	(632)
Deferred income tax	<u>203</u>	<u>1,282</u>
	<u>(707)</u>	<u>650</u>

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 2021 (2020: nil).

For the six months ended 30 June 2021, the statutory income tax rate of entities within the Group registered in the PRC is 25% (2020: 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**”), an indirect non-wholly-owned subsidiary of the Company, was certified as High-Tech Enterprise of Tianjin City, effective from 23 November 2018 to 23 November 2021, during which Haitian Fangyuan enjoys a preferential tax rate of 15%.
- From 1 January 2018 to 31 December 2022, Hoboksar Mongol Autonomous County Sifang Dianjin Energy Co., Ltd. (“**Sifang Dianjin**”), an indirect non-wholly-owned subsidiary of the Company, is exempted from enterprise income tax for the first two years and are entitled to a 50% tax reduction for the subsequent three years.

## 8. LOSS PER SHARE

### (a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2021 and 2020, respectively:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	<b>(8,888)</b>	(31,046)
Weighted average number of ordinary shares in issue (thousands)	<u><b>1,484,604</b></u>	<u>1,484,604</u>
Basic loss per share (RMB)	<u><b>(0.0060)</b></u>	<u>(0.0209)</u>

### (b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2021 and 2020, the exercise prices 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 was ignored from the calculation of diluted loss per share.

## 9. TRADE AND OTHER RECEIVABLES

	As at <b>30 June</b> <b>2021</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables (a)	300,537	310,493
Tariff adjustment receivables (b)	<u>96,640</u>	<u>84,592</u>
	397,177	395,085
Less: loss allowance for trade receivables	<u>(203,890)</u>	<u>(203,296)</u>
Total trade receivables	<u>193,287</u>	<u>191,789</u>
Notes receivables	360	550
Prepayments	32,189	45,560
Other receivables	<u>20,832</u>	<u>20,857</u>
Less: loss allowance for other receivables	<u>(557)</u>	<u>(557)</u>
	<u><u>246,111</u></u>	<u><u>258,199</u></u>

As at 30 June 2021, the collection rights of trade receivables derived from solar power plants with carrying amount of RMB108,090,000 (31 December 2020: RMB94,234,000) 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 <b>30 June</b> <b>2021</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 1 year	89,162	93,182
1 year to 2 years	43,193	76,065
2 years to 3 years	74,667	206,618
Over 3 years	<u>190,155</u>	<u>19,220</u>
	<u><u>397,177</u></u>	<u><u>395,085</u></u>

- (a) Trade receivables from sales of home photovoltaic systems, rendering smart energy services and sales of electricity are due within six months, 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 2021 and 31 December 2020 was determined as follows:

**As at 30 June 2021 (unaudited)**

Sales of home photovoltaic systems	Not yet past due	Past due within 6 months	Past due 6 months to 18 months	Past due over 18 months	Total
<i>Individually assessed:</i>					
Gross carrying amount (RMB'000)	—	—	—	204,471	204,471
Loss allowance (RMB'000)	—	—	—	(185,082)	(185,082)
<i>Collectively assessed:</i>					
Expected loss rate	0%	0%	N/A	N/A	
Gross carrying amount (RMB'000)	36,244	1,738	—	—	37,982
Loss allowance (RMB'000)	—	—	—	—	—
Total loss allowance (RMB'000)					<u>(185,082)</u>

**As at 31 December 2020 (audited)**

Sales of home photovoltaic systems	Not yet past due	Past due within 6 months	Past due 6 months to 18 months	Past due over 18 months	Total
<i>Individually assessed:</i>					
Gross carrying amount (RMB'000)	—	—	18,258	187,812	206,070
Loss allowance (RMB'000)	—	—	—	(187,076)	(187,076)
<i>Collectively assessed:</i>					
Expected loss rate	0%	0%	N/A	N/A	
Gross carrying amount (RMB'000)	47,894	284	—	—	48,178
Loss allowance (RMB'000)	—	—	—	—	—
Total loss allowance (RMB'000)					<u>(187,076)</u>

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 RMB185,082,000 was recognised as at 30 June 2021 (31 December 2020: RMB187,076,000).

**As at 30 June 2021 (unaudited)**

<b>Rendering smart energy services</b>	<b>Not yet past due</b>	<b>Past due within 1 year</b>	<b>Past due 1 year to 2 years</b>	<b>Past due 2 years to 3 years</b>	<b>Total</b>
<i>Individually assessed:</i>					
Gross carrying amount (RMB'000)	—	1,908	8,966	2,764	13,638
Loss allowance (RMB'000)	—	(1,908)	(8,966)	(2,764)	(13,638)
<i>Collectively assessed:</i>					
Expected loss rate	0%	6%	11%	16%	
Gross carrying amount (RMB'000)	1,726	704	16,700	200	19,330
Loss allowance (RMB'000)	—	(42)	(1,909)	(33)	(1,984)
Total loss allowance (RMB'000)					<u>(15,622)</u>

**As at 31 December 2020 (audited)**

<b>Rendering smart energy services</b>	<b>Not yet past due</b>	<b>Past due within 1 year</b>	<b>Past due 1 year to 2 years</b>	<b>Past due 2 years to 3 years</b>	<b>Total</b>
<i>Individually assessed:</i>					
Gross carrying amount (RMB'000)	1,909	816	11,169	—	13,894
Loss allowance (RMB'000)	—	(816)	(11,169)	—	(11,985)
<i>Collectively assessed:</i>					
Expected loss rate	0%	6%	11%	16%	
Gross carrying amount (RMB'000)	2,135	16,800	671	320	19,926
Loss allowance (RMB'000)	—	(931)	(75)	(51)	(1,057)
Total loss allowance (RMB'000)					<u>(13,042)</u>

**As at 30 June 2021 (unaudited)**

	Not yet past due	Past due within 11 months	Past due 11 months to 23 months	Past due 23 months to 35 months	Past due 35 months to 47 months	Past due over 47 months	Total
<i>Individually assessed:</i>							
Gross carrying amount (RMB'000)	433	390	549	715	885	259	3,231
Loss allowance (RMB'000)	—	—	(549)	(715)	(885)	(259)	(2,408)
<i>Collectively assessed:</i>							
Expected loss rate	0%	0%	6%	11%	16%	21%	
Gross carrying amount (RMB'000)	3,798	8,464	7,527	1,521	200	375	21,885
Loss allowance (RMB'000)	—	—	(440)	(174)	(33)	(78)	(725)
Total loss allowance (RMB'000)							<u>(3,133)</u>

**As at 31 December 2020 (audited)**

	Not yet past due	Past due within 11 months	Past due 11 months to 23 months	Past due 23 months to 35 months	Past due 35 months to 47 months	Past due over 47 months	Total
<i>Individually assessed:</i>							
Gross carrying amount (RMB'000)	46	450	582	527	671	641	2,917
Loss allowance (RMB'000)	—	—	(581)	(527)	(671)	(641)	(2,420)
<i>Collectively assessed:</i>							
Expected loss rate	0%	0%	6%	11%	16%	20%	
Gross carrying amount (RMB'000)	3,738	6,024	7,711	1,336	499	200	19,508
Loss allowance (RMB'000)	—	—	(441)	(149)	(80)	(40)	(710)
Total loss allowance (RMB'000)							<u>(3,130)</u>

- (b) As at 30 June 2021, RMB60,267,000 (31 December 2020: RMB53,890,000) 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 result in loss allowance amounted to RMB53,000 recognised for tariff adjustment receivables as at 30 June 2021 (31 December 2020: RMB48,000).

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

	<b>Six months ended 30 June 2021 RMB'000 (Unaudited)</b>	Year ended 31 December 2020 RMB'000 (Audited)
Opening balance	203,853	187,467
Increase in loss allowance		
Trade receivables	594	15,829
Other receivables	—	557
	<u>          </u>	<u>          </u>
Closing balance	<u>204,447</u>	<u>203,853</u>

## 10. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	<b>Six months ended 30 June 2021 (Unaudited)</b>		
	<b>No. of shares (thousands)</b>	<b>Amount HK\$'000</b>	<b>RMB equivalent RMB'000</b>
As at 1 January and 30 June	<u>1,484,604</u>	<u>14,846</u>	<u>12,255</u>

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 2021, there were 1,078,200 outstanding share options. For the six months ended 30 June 2021, no expense arising from share-based payment transactions was recognised as part of employee benefit expense (2020: RMB633,000).

## 11. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	As at 31 December 2020 RMB'000 (Audited)
Trade payables	55,818	32,917
Bills payables	16,538	—
Accruals and other payables	37,072	36,002
	<u>          </u>	<u>          </u>
	<u>109,428</u>	<u>68,919</u>



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

	<b>As at 30 June 2021 RMB'000 (Unaudited)</b>	<b>As at 31 December 2020 RMB'000 (Audited)</b>
Within 1 year	<b>54,045</b>	19,810
Over 1 year	<b><u>18,311</u></b>	<u>13,107</u>
	<b><u><u>72,356</u></u></b>	<u><u>32,917</u></u>

## **12. DIVIDENDS**

During the six months ended 30 June 2021, the Company did not declare any dividends to the shareholders of the Company (2020: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

For the six months ended 30 June 2021 (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 of other clean energy business.

For the Period, the Group’s revenue was RMB225,480,000 (same period of 2020: RMB54,692,000), representing an increase of approximately 312% as compared to the same period of 2020. Such increase in revenue was primarily attributable to the growth in sales of the home photovoltaic systems business and the increase in investment in the public infrastructure construction business during the Period. Loss attributable to owners of the Company amounted to RMB8,888,000 (same period of 2020: loss attributable to owners of the Company of RMB31,046,000), representing a decrease in loss of approximately 71% as compared to the same period of 2020. Such decrease in loss was primarily attributable to, inter alia, the increase in the following two gains: (i) the public infrastructure construction business recorded a profit attributable to owners of the Company of approximately RMB2,240,000 for the Period, as compared to the loss attributable to owners of the Company of RMB8,712,000 in the same period of 2020; and (ii) the Group realized a fair value gain on financial assets at fair value through profit or loss of approximately RMB10,019,000, as compared to the fair value loss of RMB338,000 in the same period of 2020.

### 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 sources including electricity, heat and gas by leveraging on its smart energy 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.

To realize the above business objectives, the Group works towards the integration of energy systems with internet technology. On one hand, the Group acquires premium energy assets and projects by expanding its offline business in comprehensive energy supply such as electricity, heat and gas, and generates stable business and investment returns from operating and managing such assets. On the other hand, the Group uploads real-time data of electricity, heat and gas consumption of its industrial and commercial enterprises and residential users to its cloud platform, integrates and analyzes such big data, and explores potentials from energy consumption of customers, so as to provide users with other

full industrial chain services, ranging 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 represented the solar power business, which covers the operation and management of its existing solar power plants and sales of home photovoltaic systems. The Group had a total of 11 existing solar power plants with an aggregate installed capacity of approximately 64 megawatts (MW). During the Period, the Group had a total power generation capacity of 43,150 megawatts hours (MWh) (same period of 2020: 42,590 MWh). In terms of home photovoltaic business, sales and installation of home photovoltaic systems were carried out by the Group mainly in the districts and counties of Hebei Province during the Period. During the Period, the Group sold and installed home photovoltaic systems with capacity of approximately 44 MW (same period of 2020: nil). In addition, the Group owns a 110 kilo-volt (kV) transformer station in Hefeng Industrial Park in Xinjiang. Affected by the COVID-19 pandemic (the "**Pandemic**"), enterprises in the park could not settle in and start operation, the transformer station failed to provide electricity sales and distribution services to enterprises in the park as expected. Therefore, the Group made a provision for impairment loss of RMB28,151,000 in respect of the transformer station for the Period (same period of 2020: nil).

During the Period, the smart energy business contributed approximately RMB165,281,000 (same period of 2020: RMB39,332,000) to the Group's revenue, representing an increase of approximately 320% as compared to the same period of last year, which was primarily attributable to the growth in sales of home photovoltaic systems. Although there was a substantial growth in revenue, affected by the impairment loss of the above transformer station and a low profit level of sales of home photovoltaic systems business due to the sharp increase in raw materials costs in the first half of 2021, the smart energy business recorded a loss attributable to owners of the Company of RMB18,051,000 during the Period (same period of 2020: loss attributable to owners of the Company of RMB17,007,000). The loss was basically the same as that in the same period of 2020.

### **Public Infrastructure Construction Business**

The public infrastructure construction business refers to the business in relation to the construction of public infrastructure and the related preliminary investment and post-construction, operation and management under the Baoding Donghu project (the "**Baoding Donghu Project**"). During the Period, the Baoding Donghu Project contributed approximately RMB60,199,000 (same period of 2020: RMB15,360,000) to the Group's revenue. Profit attributable to owners of the Company amounted to approximately RMB2,240,000 (same period of 2020: loss attributable to owners of the Company of approximately RMB8,712,000). The increase in both revenue and profit was primarily attributable to the increased investment made by the Group in the construction of public infrastructure during the Period.

## **BUSINESS OUTLOOK**

In the first half of 2021, with more effective domestic containment of the Pandemic, China's economic fundamentals improved steadily. According to the data released by the National Energy Administration, in the first half of the year, China's energy consumption grew rapidly, with a 16.2% rise in the total electricity consumption year-on-year. In respect of solar power sector, prices along the supply chain in this sector remained high in the first half of 2021, resulting in a general increase of approximately 20% in photovoltaic component prices, which slowed down the construction and grid connection of centralized solar power plants. The newly installed capacity of solar power registered a marginal increase of just 13.0 gigawatts (GW) for the first half of 2021, which was far below what the industry expected. Of which, new installations of home photovoltaic systems accounted for 5.8614 GW. Such scale of new installations has made home photovoltaic systems become the main source of new solar power installations, ahead of centralized solar power plants for the first time. Having said that, owing to the adverse impact of the significant increase in costs of photovoltaic raw materials in the first half of the year, there is very little room for the profitability of sales of the home photovoltaic systems business.

Looking forward to the second half of the year, opportunities and challenges will co-exist in the path of post-Pandemic economic recovery. Guided by the zero-carbon goal, energy transition has become a global trend. On the flip side, the Pandemic developments as well as the complex and challenging external environment will add uncertainties to economic recovery. In view of such dynamic external environment, in the second half of 2021, we will continue to adopt a prudent business strategy, under which, we will strive to enhance the management quality of our existing assets with focus on the Company's principal businesses. Also, from time to time, we will review and make adjustments to optimize our existing business portfolio based on market developments, so as to ensure the continued stable and healthy business development of the Group.

## **FINANCIAL REVIEW**

### **Revenue and Gross Profit**

The Group's revenue and gross profit for the Period amounted to RMB225,480,000 (same period of 2020: RMB54,692,000) and RMB51,073,000 (same period of 2020: RMB22,341,000), respectively, representing an increase in revenue and gross profit of 312% and 129% respectively as compared to the same period of last year. Such increases were primarily attributable to the growth in revenue and gross profit from the sales of home photovoltaic systems business and the public infrastructure construction business. Gross profit margin was 23% (same period of 2020: 41%), representing a decline of 18% as compared to the same period of last year. Such decline was primarily attributable to the rising costs of photovoltaic raw materials, resulting in a relatively low gross profit margin of the home photovoltaic business in general.

## **Selling and Distribution Expenses**

The Group incurred selling and distribution expenses of RMB12,614,000 during the Period (same period of 2020: RMB16,000), representing an increase of 78,738% as compared to the same period of last year. Such increase during the Period was primarily attributable to the increased sales of the home photovoltaic systems business, while there was no such related business in the same period of last year.

## **Administrative Expenses**

The Group incurred administrative expenses of RMB27,257,000 during the Period (same period of 2020: RMB20,198,000), representing an increase of 35% as compared to the same period of last year. Such increase during the Period was primarily attributable to the increase in operating expenses of sales of the home photovoltaic systems business.

## **Finance Expenses, Net**

Net finance expenses of the Group amounted to RMB1,047,000 for the Period (same period of 2020: net finance expenses of RMB11,149,000), representing a decrease of approximately 91% as compared to the same period of last year. Such decrease was primarily attributable to the decrease in interest expense on bank loans in respect of the solar power plants and the public infrastructure construction business and the increase in interest income from loans to entities.

## **Income Tax (Expense)/Credit**

Income tax expense of the Group amounted to RMB707,000 for the Period (same period of 2020: income tax credit of RMB650,000), representing a decrease of 209% as compared to the same period of last year. Such decrease for the Period was primarily attributable to decrease in deferred income tax credit recognised arising from the impairment losses on financial assets.

## **Financial Assets at Fair Value through Profit or Loss**

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

- (1) The Group held shares in an unlisted investment fund, Yue Xiu Stable Income Segregated Portfolio, which is an independent third party. 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 expectation of sharing capital appreciation from the fund. The Group redeemed its 4,390.8282984 Class A shares in the fund on 17 December 2020, and now holds interest in the remaining 6,935.6307632 Class A shares in the fund.

The fund is stated at fair value, which amounted to HK\$66,779,000 (equivalent to RMB55,566,000) as at 30 June 2021 (fair value as at 31 December 2020 of HK\$54,773,000, equivalent to RMB46,099,000). During the Period, the fund generated a fair value gain of approximately HK\$12,006,000 (equivalent to approximately RMB10,019,000) (same period of

2020: a fair value loss of approximately HK\$864,000, equivalent to approximately RMB782,000). As at 30 June 2021, the carrying amount of the fund accounted for approximately 3.5% of the total assets of the Group (as at 31 December 2020: 3.0%), and approximately 98.5% of the portfolio of financial assets at fair value through profit or loss (as at 31 December 2020: 98.0%).

- (2) The Group held the unlisted exchangeable corporate bonds issued by Supreme Trillion Development Limited, an independent third party, on 11 September 2018. In August 2019, the Group requested to redeem the exchangeable corporate bonds. As at 30 June 2021, the remaining principal amount of the exchangeable corporate bonds was HK\$615,000 (equivalent to RMB512,000) (as at 31 December 2020: remaining principal amount of HK\$715,000, equivalent to RMB602,000) with a fair value of HK\$1,042,000 (equivalent to RMB867,000) (as at 31 December 2020: HK\$1,142,000, equivalent to RMB962,000). During the Period, the exchangeable corporate bonds did not generate any fair value gain (same period of 2020: fair value gain of approximately HK\$92,000, equivalent to RMB84,000). As at 30 June 2021, the carrying value of the exchangeable corporate bonds accounted for approximately 0.1% of the total assets of the Group (as at 31 December 2020: 0.1%) and approximately 1.5% of the portfolio of financial assets at fair value through profit and loss (as at 31 December 2020: 2.0%).

The Group's investments primarily consist of long-term projects in the smart energy and public infrastructure construction sectors, 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 or low-risk bonds. Such investment funds or bonds 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 2021, bank balances and cash amounted to approximately RMB174,682,000 (as at 31 December 2020: RMB155,585,000), of which approximately RMB6,692,000 (as at 31 December 2020: RMB139,000) 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 primarily attributable to the growth in revenue from the sales of home photovoltaic systems business.

## Total Current Assets and Current Ratio

As at 30 June 2021, total current assets and current ratio (total current assets/total current liabilities) were approximately RMB831,920,000 (as at 31 December 2020: RMB743,960,000) and 4.67 (31 December 2020: 6.27), respectively. Such increase in total current assets was primarily attributable to the increase in contract assets and prepayments, while the decrease in current ratio was primarily attributable to the increase in trade payables.

## External Borrowings and Pledge of Assets

As at 30 June 2021, the Group had external borrowings of RMB223,200,000 (as at 31 December 2020: RMB235,400,000), of which RMB223,200,000 was secured by certain of the machinery of solar power plants with a carrying amount of RMB275,587,000 and the collection rights of future receivables of certain subsidiaries (as at 31 December 2020: RMB235,400,000 was secured by certain of the machinery of solar power plants with a carrying amount of RMB285,107,000 and the collection rights of future receivables of certain subsidiaries).

## Gearing Ratio

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

	As at <b>30 June</b> <b>2021</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Bank loans	223,200	235,400
Lease liabilities	13,575	11,939
Less: Cash and cash equivalents	(167,990)	(155,446)
Restricted cash	<u>(6,692)</u>	<u>(139)</u>
Net debt	62,093	91,754
Total equity	<u>1,193,216</u>	<u>1,201,916</u>
Total capital (Net debt plus total equity)	<u>1,255,309</u>	<u>1,293,670</u>
Gearing ratio (Net debt/total capital)	<u>4.9%</u>	<u>7.1%</u>

As at 30 June 2021, the gearing ratio of the Group was 4.9%, representing a decrease of 2.2 percentage points as compared to that of 7.1% as at 31 December 2020. Such decrease was primarily attributable to the increase in cash and cash equivalents held and the decrease in debts.

The proportion of long-term and short-term debts was 89.0% and 11.0%, respectively (as at 31 December 2020: 89.6% and 10.4%), of which borrowings of the solar power business amounting to RMB223,200,000 were gradually repaid with proceeds from electricity sales. 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, external borrowings bear interests at rates ranging from 5.36% to 5.59% per annum (as at 31 December 2020: 5.23% to 5.46% per annum). The interest rates applicable to the borrowings of the solar power plants were charged at the lending rate of the People's Bank of China for the same period plus 10% to 15%. Its risk is derived from the volatility in China's policy on interest rate, but the Group expects the impact of the interest rate risk on the Group's consolidated profit or loss to be insignificant.

### **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 exchanges. 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.

### **Investment Commitments**

As at 30 June 2021, the Group had investment commitments of approximately RMB101,600,000 (as at 31 December 2020: RMB101,600,000), which were mainly the Group's obligations of capital contribution to its associated company, Longyao (Beijing) Clean Energy Technology Company Limited\* (隆耀(北京)清潔能源科技有限公司) that shall be fulfilled before 31 December 2021.

### **Contingent Liabilities**

As at 30 June 2021, the Group did not have any contingent liabilities (as at 31 December 2020: 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 POLICIES**

The Group had 268 employees as at 30 June 2021 (as at 31 December 2020: 269 employees). Employees are 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 accommodate the continued expansion of the Group, the Group offers competitive remuneration and benefit packages to employees at different levels, including discretionary bonuses, various training programs, sponsorship for further study and share option schemes for the benefit of the Directors and eligible employees of the Group.

## **COMPLIANCE WITH THE CG CODE**

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

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

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

The Company has made specific enquiry to all Directors, and all Directors have confirmed that, during the Period, they had complied with the requirements of 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 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 2020: 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](http://www.hkexnews.hk)) and the Company ([www.longitech.hk](http://www.longitech.hk)) respectively. The 2021 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, 27 August 2021

*As at the date of this announcement, the executive Director is Mr. Wei Qiang; 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*