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隆基泰和智慧能源
LONGITECH SMART ENERGY

LONGITECH SMART ENERGY HOLDING LIMITED
隆基泰和智慧能源控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1281)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of LongiTech Smart Energy Holding Limited (the "**Company**") announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2019 as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	**2020** RMB'000	2019 RMB'000
Revenue	3(a)	**396,413**	147,460
Cost of sales	4	**(309,105)**	(68,786)
Gross profit		**87,308**	78,674
Selling and distribution expenses	4	**(11,150)**	(1,740)
Administrative expenses	4	**(40,688)**	(72,212)
Impairment losses on financial and contract assets	5	**(3,316)**	(316,169)
Other income		**445**	585
Other gains — net	6	**1,139**	2,100
Operating profit/(loss)		**33,738**	(308,762)

Consolidated Statement of Profit or Loss (Continued)

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Finance income		**5,740**	13,461
Finance expenses		**(21,247)**	(35,989)
Finance expenses — net		**(15,507)**	(22,528)
Share of net (loss)/profit of associates accounted for using the equity method		**(17,248)**	5,422
Profit/(loss) before income tax		**983**	(325,868)
Income tax (expense)/credit	*7*	**(2,240)**	64,454
Loss for the year		**(1,257)**	(261,414)
Profit/(loss) is attributable to:			
Owners of the Company		**1,064**	(264,522)
Non-controlling interests		**(2,321)**	3,108
		(1,257)	(261,414)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (RMB):			
Basic earnings/(loss) per share	*8(a)*	**0.0007**	(0.1782)
Diluted earnings/(loss) per share	*8(b)*	**0.0007**	(0.1782)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
Loss for the year	**(1,257)**	(261,414)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas operations	**(9,041)**	3,450
Other comprehensive (loss)/income for the year, net of tax	**(9,041)**	3,450
Total comprehensive loss for the year	**(10,298)**	(257,964)
Total comprehensive loss for the year is attributable to:		
Owners of the Company	**(7,977)**	(261,072)
Non-controlling interests	**(2,321)**	3,108
	(10,298)	(257,964)

Consolidated Statement of Financial Position
As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		**442,794**	477,990
Right-of-use assets		**16,143**	19,861
Intangible assets		**6,789**	9,551
Deferred tax assets		**71,692**	70,007
Contract assets	9	**—**	43,738
Investments accounted for using the equity method		**263,397**	280,645
Financial assets at amortised cost	10	**—**	13,750
Other non-current assets		**9,605**	10,969
Total non-current assets		**810,420**	926,511
Current assets			
Inventories		**28,991**	8,755
Contract assets	9	**181,263**	361,728
Trade and other receivables	11	**258,199**	175,969
Financial assets at amortised cost	10	**72,861**	123,272
Financial assets at fair value through profit or loss		**47,061**	157,003
Restricted cash		**139**	66,388
Cash and cash equivalents		**155,446**	32,228
Total current assets		**743,960**	925,343
Total assets		**1,554,380**	1,851,854
Equity and liabilities			
Share capital		**12,255**	12,255
Reserves		**1,143,917**	1,162,613
Retained earnings		**38,758**	40,918
Equity attributable to owners of the Company		**1,194,930**	1,215,786
Non-controlling interests		**6,986**	9,307
Total equity		**1,201,916**	1,225,093

Consolidated Statement of Financial Position (Continued)
As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Liabilities			
Non-current liabilities			
Borrowings		**211,000**	235,400
Lease liabilities		**9,213**	12,016
Deferred government grants		**2,173**	2,279
Deferred tax liabilities		**11,490**	11,891
Total non-current liabilities		**233,876**	261,586
Current liabilities			
Trade and other payables	*12*	**68,919**	50,184
Contract liabilities		**11,939**	1,009
Current tax liabilities		**10,604**	11,854
Borrowings		**24,400**	299,000
Lease liabilities		**2,726**	3,128
Total current liabilities		**118,588**	365,175
Total liabilities		**352,464**	626,761
Total equity and liabilities		**1,554,380**	1,851,854

Notes

For the year ended 31 December 2020

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, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which include all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value.

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

2.1.1 *New and amended standards adopted by the Group*

The Group has adopted all the new and amended IFRSs which are effective for the Group's accounting periods beginning on or after 1 January 2020 and throughout the year ended 31 December 2020.

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment — Definition of Material)
- IFRS 3 Business Combinations (Amendment — Definition of a Business)
- Revised Conceptual Framework for Financial Reporting

None of these new or amended IFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period.

2.1.2 *New standards and interpretations not yet adopted*

The following published new accounting standards and interpretations are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group:

Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
IFRS 17	Insurance Contract[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[2]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts Cost of Fulfilling a Contract[2]
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16 and IAS 41[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9[4]
Amendments to IFRS 17	Insurance Contract[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 No mandatory effective date yet determined but available for adoption
4 Effective for annual periods beginning on or after 1 January 2023

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2020	2019
	RMB'000	*RMB'000*
Sales of electricity	**63,022**	64,814
Sales of home photovoltaic systems and rendering smart energy services	**185,242**	51,992
Public infrastructure construction	**148,149**	30,654
	396,413	147,460
Timing of revenue recognition		
At a point in time	**242,579**	80,899
Over time	**153,834**	66,561
	396,413	147,460

For the year ended 31 December 2020, there was one (2019: four) customer with which the Group's transactions exceeded 10% of total revenue. One customer (2019: one customer) was from public infrastructure construction business and nil customers (2019: three customers) were from smart energy business. For the year ended 31 December 2020, revenue derived from this customer amounted to RMB147,428,000 (2019: RMB87,616,000).

(b) Segment reporting

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

(c) Reportable segment profit or loss, assets and liabilities

	Smart energy business	**Public infrastructure construction business**	**Unallocated**	**Intersegment eliminations**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020					
Revenue from external customers	**248,264**	**148,149**	**—**	**—**	**396,413**
Impairment losses on financial and contract assets	**(2,434)**	**(882)**	**—**	**—**	**(3,316)**
Finance income	**4,664**	**1,002**	**74**	**—**	**5,740**
Finance expenses	**(15,355)**	**(5,828)**	**(64)**	**—**	**(21,247)**
Share of net loss of associates accounted for using the equity method	**(17,248)**	**—**	**—**	**—**	**(17,248)**
Income tax expense	**(630)**	**(1,610)**	**—**	**—**	**(2,240)**
(Loss)/profit for the year	**(3,592)**	**(3,582)**	**5,917**	**—**	**(1,257)**
Other information					
Depreciation and amortisation	**(35,849)**	**(36)**	**(49)**	**—**	**(35,934)**
Additions to non-current assets *(Note)*	**964**	**—**	**—**	**—**	**964**
As at 31 December 2020					
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**

	Smart energy business	Public infrastructure construction business	Unallocated	Intersegment eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019					
Revenue from external customers	116,806	30,654	—	—	147,460
Impairment losses on financial and contract assets	(268,354)	(47,815)	—	—	(316,169)
Finance income	13,041	188	232	—	13,461
Finance expenses	(16,019)	(19,927)	(43)	—	(35,989)
Share of net profit of associates accounted for using the equity method	5,422	—	—	—	5,422
Income tax credit	59,667	4,787	—	—	64,454
Loss for the year	(193,267)	(48,915)	(19,232)	—	(261,414)
Other information					
Depreciation and amortisation	(34,581)	(80)	(685)	—	(35,346)
Additions to non-current assets *(Note)*	19,420	—	3,218	—	22,638
As at 31 December 2019					
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.

4. EXPENSES BY NATURE

Cost of sales, selling and distribution expenses and administrative expenses in the consolidated statement of profit or loss are listed by nature as follows:

	2020	2019
	RMB'000	*RMB'000*
Changes in inventories of finished goods	**139,896**	16,196
Subcontract costs	**134,584**	10,261
Employee benefit expense	**20,016**	37,445
Depreciation and amortisation	**35,934**	35,346
Consulting and legal fees	**4,913**	8,759
Repair and maintenance expenses	**5,382**	3,516
Transportation and travelling expenses	**1,171**	3,236
Promotion and advertising expenses	**392**	2,976
Rental expense	**2,650**	2,527
Impairment of property, plant and equipment	**5,723**	—
Impairment of goodwill	**138**	2,209
Impairment of other intangible assets	**—**	4,288
Impairment of inventories	**—**	1,899
Auditor's remuneration		
— Audit services	**2,000**	2,200
— Non-audit services	**—**	—
Others	**8,144**	11,880
Total cost of sales, selling and distribution expenses and administrative expenses	**360,943**	142,738

5. IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

	2020	2019
	RMB'000	*RMB'000*
Loss allowance for contract assets *(Note 9)*	**882**	47,815
(Reversal of)/loss allowance for financial assets at amortised cost *(Note 10)*	**(13,952)**	94,889
Loss allowance for trade and other receivables *(Note 11)*	**16,386**	173,465
	3,316	316,169

6. OTHER GAINS — NET

	2020	2019
	RMB'000	*RMB'000*
Net fair value gains on financial assets at fair value through profit or loss	**2,071**	1,704
Net foreign exchange losses	**(819)**	(325)
Net (loss)/gains on disposal of property, plant and equipment	**(55)**	387
Gains on disposal of subsidiaries	**—**	143
Others	**(58)**	191
	1,139	2,100

7. INCOME TAX (EXPENSE)/CREDIT

	2020	2019
	RMB'000	*RMB'000*
Current income tax	**(4,326)**	(2,932)
Deferred income tax	**2,086**	67,386
	(2,240)	64,454

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

(b) The Group did not make any provisions for Hong Kong profit tax as there were no assessable profits arising in Hong Kong during the year ended 31 December 2020 (2019: nil).

(c) For the year end 31 December 2020, the statutory income tax rate of entities within the Group registered in the PRC is 25% (2019: 25%), except for certain entities entitled to tax exemption or preferential rates.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year:

	2020	2019
Profit/(loss) attributable to owners of the Company (RMB'000)	**1,064**	(264,522)
Weighted average number of ordinary shares in issue (thousands)	**1,484,604**	1,484,604
Basic earnings/(loss) per share (RMB)	**0.0007**	(0.1782)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. During the years ended 31 December 2020 and 2019, the Company had outstanding share options. For the year ended 31 December 2020, no ditutedearnings per share has been presented because the exercise price of the Company's options was higher than the average market price. For the year ended 31 December 2019, the Group made a loss therefore the effect of share options was anti-dilutive and is ignored from the calculation of diluted loss per share.

9. CONTRACT ASSETS

	2020	2019
	RMB'000	*RMB'000*
Contract costs incurred plus recognised profit less recognised losses	**1,532,573**	1,384,546
Less: progress billings	**(1,351,310)**	(979,080)
Net balance sheet position for ongoing contracts	**181,263**	405,466
Of which are:		
Current contract assets	**181,263**	361,728
Non-current contract assets	**—**	43,738
	181,263	405,466

According to the amendment to the original agreement of Baoding Donghu Cultural Center Project entered into between Baoding Municipal People's Government and the Group in the end of 2019, contract assets in respect of income tax and certain expenses incurred in previous years as well as related profits with total amount of RMB882,000 (2019: RMB47,815,000) would not be compensated. Therefore a provision of RMB882,000 (2019: RMB47,815,000) was made by the Group accordingly. Movement in the loss allowance of contract assets is as follows:

	2020	2019
	RMB'000	*RMB'000*
Opening balance	**—**	—
Increase in loss allowance	**882**	47,815
Written off as uncollectible	**(882)**	(47,815)
Closing balance	**—**	—

10. FINANCIAL ASSETS AT AMORTISED COST

	2020	2019
	RMB'000	*RMB'000*
Non-current debt investments		
Loans to third parties	**—**	13,750
Current debt investments		
Loans to related parties	**15,778**	46,023
Loans to third parties	**76,153**	110,271
Receivable relating to investment in Shandong Hailifeng Clean Energy Joint Stock Co., Ltd.* (山東海利豐清潔能源股份有限公司) ("Hailifeng")	**60,000**	62,767
	151,931	219,061
	151,931	232,811
Less: loss allowance	**(79,070)**	(95,789)
	72,861	123,272

Interests from loans to related parties and third parties charged at commercial rates are included in finance income. The non-current loans to third parties are due within two years from 31 December 2019.

For debt investments at amortised cost considered to have low credit risk, applying the expected credit risk model result in loss allowance of RMB587,000 recognised during the year ended 31 December 2020 (2019: nil).

For debt investments at amortised cost showing a significant increase in credit risk since initial recognition, a total allowance of lifetime expected credit losses amounting to RMB78,483,000 was recognised as at 31 December 2020 (31 December 2019: RMB95,789,000).

Movement in the loss allowance of financial assets at amortised cost is as follows:

	Loans to related parties (a)	**Loans to third parties (b)**	**Receivable relating to investment in Hailifeng (c)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	—	900	—	900
Increase in loss allowance	2,156	77,571	15,162	94,889
As at 31 December 2019 and 1 January 2020	2,156	78,471	15,162	95,789
Increase/(decrease) in loss allowance	587	(14,539)	—	(13,952)
Written-off	—	—	(2,767)	(2,767)
As at 31 December 2020	2,743	63,932	12,395	79,070

(a) For the year ended 31 December 2020, the loss allowance of RMB587,000 was charged to loans to related parties based on management's impairment assessment. On 6 December 2018 and 15 January 2019, Baoding Yize New Energy Technology Co., Ltd.* (保定溢澤新能源科技有限公司) ("Baoding Yize"), an indirect wholly-owned subsidiary of the Company, provided a loan of RMB2,000,000 and RMB50,000 to Longyao (Beijing) Clean Energy Technology Co., Ltd.* (隆耀（北京）清潔能源科技有限公司) ("Longyao Beijing"), an associate of the Group, with an interest rate of 9% per annum, for the period from 6 December 2018 to 5 March 2019 and from 15 January 2019 to 14 April 2019, respectively. As Longyao Beijing failed to repay the principal and interests in 2019, based on management's impairment assessment, a total loss allowance of RMB2,156,000 was provided for the year ended 31 December 2019.

(b) The Group's loans to third parties mainly include various loans provided to target companies in accordance with the payment arrangement of potential acquisition transactions. Due to the termination of these potential acquisitions and the deterioration of the financial condition of target companies during the second half of the year ended 31 December 2020, a total allowance for expected credit losses amounting to RMB63,932,000 was recognised as at 31 December 2020 (2019: RMB78,471,000).

The security of loans to third parties is as follows:

Principal amount as at 31 December 2020	**Pledged assets**	**Guarantees**
8,000	Borrower's assets	By the borrower's controlling shareholder and an independent third party
8,000	Equity interest in the borrower	By the borrower's parent company, controlling shareholder and his spouse
24,600	Borrower's assets and equity interest in a third-party company	By one of the shareholders of the borrower and independent third parties

As at 31 December 2020 and 2019, the Group's financial assets at amortised cost were all denominated in RMB.

Since most of the financial assets at amortised cost were short-term in nature and the interest rates were close to the market rates, the carrying amounts of current and non-current financial assets at amortised cost were not materially different from their fair values as at 31 December 2020 and 2019.

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables *(a)*	**310,493**	274,335
Tariff adjustment receivables *(b)*	**84,592**	64,789
	395,085	339,124
Less: loss allowance	**(203,296)**	(187,467)
Total trade receivables	**191,789**	151,657
Notes receivables	**550**	700
Prepayments	**45,560**	3,295
Other receivables	**20,857**	20,317
Less: loss allowance for other receivables	**(557)**	—
	258,199	175,969

As at 31 December 2020, the collection rights of trade receivables derived from certain solar power plants with carrying amount of RMB94,234,000 (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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**93,182**	80,268
1 year to 2 years	**76,065**	238,801
2 years to 3 years	**206,618**	18,155
Over 3 years	**19,220**	1,900
	395,085	339,124

(a) Trade receivables from sales of home photovoltaic systems and rendering electricity distribution service are due within 180 days from the date of billing. Trade receivables from rendering smart energy services are due within one year from the date of billing. Trade receivables from sales of electricity are due within one month from the date of billing. 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 31 December 2020 and 2019 was determined as follows:

As at 31 December 2020

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**
Individually assessed:					
Gross carrying amount (RMB'000)	—	—	18,258	187,812	206,070
Loss allowance (RMB'000)	—	—	—	(187,076)	(187,076)
Collectively assessed:					
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)					(187,076)

As at 31 December 2019

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**
Individually assessed:					
Gross carrying amount (RMB'000)	14,634	3,624	180,625	11,676	210,559
Loss allowance (RMB'000)	—	—	(163,863)	(11,676)	(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 has significantly increased during the year ended 31 December 2019. A total allowance for expected credit losses in trade receivables amounting to RMB187,812,000 was recognised as at 31 December 2020 (31 December 2019: RMB175,539,000).

As at 31 December 2020

Rendering electricity distribution service	**Not yet past due**	**Past due within 6 months**	**Past due 6 months to 18 months**	**Past due over 18 months**	**Total**
Individually assessed:					
Gross carrying amount (RMB'000)	—	—	—	—	—
Loss allowance (RMB'000)	—	—	—	—	—

As at 31 December 2019

Rendering electricity distribution service	**Not yet past due**	**Past due within 6 months**	**Past due 6 months to 18 months**	**Past due over 18 months**	**Total**
Individually assessed:					
Gross carrying amount (RMB'000)	—	—	4,045	—	4,045
Loss allowance (RMB'000)	—	—	(4,045)	—	(4,045)

As at 31 December 2020

Rendering smart energy services	**Not yet past due**	**Past due within 1 year**	**Past due 1 year to 2 years**	**Past due 2 years to 3 years**	**Past due over 3 years**	**Total**
Individually assessed:						
Gross carrying amount (RMB'000)	1,909	816	11,169	—	—	13,894
Loss allowance (RMB'000)	—	(816)	(11,169)	—	—	(11,985)
Collectively assessed:						
Expected loss rate	0%	6%	11%	16%	N/A	
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)						(13,042)

As at 31 December 2019

Rendering smart energy services	**Not yet past due**	**Past due within 1 year**	**Past due 1 year to 2 years**	**Past due 2 years to 3 years**	**Past due over 3 years**	**Total**
Individually assessed:						
Gross carrying amount (RMB'000)	—	15,530	—	—	—	15,530
Loss allowance (RMB'000)	—	(9,000)	—	—	—	(9,000)
Collectively assessed:						
Expected loss rate	0%	5%	10%	N/A	N/A	
Gross carrying amount (RMB'000)	27,046	3,690	320	—	—	31,056
Loss allowance (RMB'000)	—	(185)	(32)	—	—	(217)
Total loss allowance (RMB'000)						(9,217)

As at 31 December 2020

Sales of electricity	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
Individually assessed:							
Gross carrying amount (RMB'000)	46	450	582	527	671	641	2,917
Loss allowance (RMB'000)	—	—	(581)	(527)	(671)	(641)	(2,420)
Collectively assessed:							
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)							(3,130)

As at 31 December 2019

Sales of electricity	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
Individually assessed:							
Gross carrying amount (RMB'000)	21	590	527	671	248	393	2,450
Loss allowance (RMB'000)	(21)	(590)	(527)	(671)	(248)	(393)	(2,450)
Collectively assessed:							
Expected loss rate	0%	0%	5%	10%	20%	50%	
Gross carrying amount (RMB'000)	2,223	9,612	1,577	1,128	104	96	14,740
Loss allowance (RMB'000	—	—	(79)	(113)	(21)	(48)	(261)
Total loss allowance (RMB'000)							(2,711)

(b) As at 31 December 2020, RMB53,890,000 (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 result in loss allowance amounted to RMB48,000 recognised for tariff adjustment receivables for the year ended 31 December 2020 (2019: nil).

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

	2020	2019
	RMB'000	*RMB'000*
Opening balance	**187,467**	18,652
Increase in loss allowance		
— Trade receivables	**15,829**	172,860
— Other receivables	**557**	606
Written off as uncollectible		
— Trade receivables	**—**	(4,045)
— Other receivables	**—**	(606)
	203,853	187,467

(d) The Group's trade and other receivables were denominated in the following currencies:

	2020	2019
	RMB'000	*RMB'000*
HK$	**425**	567
RMB	**257,774**	175,402
	258,199	175,969

As at 31 December 2020 and 2019, the carrying amounts of trade and other receivables approximated their fair values.

12. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**32,917**	19,638
Accruals and other payables	**36,002**	30,546
	68,919	50,184

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**19,810**	6,021
Over 1 year	**13,107**	13,617
	32,917	19,638

As at 31 December 2020 and 2019, the Group's trade and other payables were all denominated in RMB and the carrying amounts approximated their fair values.

13. DIVIDENDS

During the year ended 31 December 2020 and 2019, the Company did not declare any dividends to the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The challenges faced by the global and Chinese economies due to the outbreak of COVID-19 pandemic (the "**Pandemic**") have continued through 2020, causing impacts and effects to all industries at varying degrees. Fortunately, thanks to the gradual control over the Pandemic in China since the second quarter and the favorable yearly policy on solar power sector, China's solar power industry managed to bottom out from the trough and delivered an overall brilliant performance in 2020. According to the Statistical Communique on the 2020 National Economic and Social Development published by the National Bureau of Statistic of the PRC and an analysis by China Photovoltaic Industry Association, in 2020, China had a total solar power generation capacity of 253.43 gigawatts (GW), representing an increase of 24.1%. The newly installed capacity was 48.2 GW, representing a year-on-year increase of 60%. The annual solar power generation capacity amounted to 260.5 billion kilowatt hours (kWh), representing a year-on-year increase of 16.2%. Its contribution to China's annual total power generation capacity grew by 0.4 percentage point to 3.5%.

The Group is principally engaged in smart energy business with focus on solar power plants (including home photovoltaic systems) and public infrastructure construction business in relation to the Baoding Donghu public-private partnership (PPP) project. As the impact of the Pandemic on both businesses was limited, the Group's principal businesses maintained steady development during the Reporting Period. During the Reporting Period, the Group recorded a revenue of RMB396,413,000 (same period of 2019: RMB147,460,000) and a profit attributable to owners of the Company of RMB1,064,000 (same period of 2019: loss attributable to owners of the Company of RMB264,522,000). Compared with the same period of last year, the Group realized an increase in revenue of approximately 168.8% and a turnaround to profit from loss. Such increase in revenue and turnaround from loss to profit were primarily attributable to the following factors: (1) The Group sustained steady development in its principal businesses during the Reporting Period. The increase in revenue from both of the smart energy business and public infrastructure construction business was relatively significant during the Reporting Period. However, due to the fact that the public infrastructure construction business had a relatively low gross profit margin, the Group recorded a marginal growth in overall profit; and (2) the Group made an impairment loss provision for financial and contract assets of RMB3,316,000 for the Reporting Period, which was significantly reduced when compared with that of RMB316,169,000 for the same period of 2019.

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 works to realize the above business objectives by integrating its 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 operation and investment returns from operating and managing such assets. On the other hand, the Group uploads the real-time data of electricity, heat and gas consumption of its 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, so as to provide them with other full industrial chain services, including 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 Reporting Period, the Group's smart energy business mainly represented its solar power business, covering the operation and management of existing solar power plants and sales of home photovoltaic systems. In particular, the Group had a total of 11 existing solar power plants with an aggregate installed capacity of approximately 64 megawatts (MW), which remained the same as the same period of last year. During the Reporting Period, the Group had a total power generation capacity of approximately 80,690 MWh (same period of 2019: 80,724 MWh). In terms of home photovoltaic systems, the Group began to expand its home photovoltaic business on a gradual basis since the second half of the year by selling and installing home photovoltaic systems mainly in Hebei province. During the Reporting Period, the Group sold and installed home photovoltaic systems with capacity of approximately 62.4 MW. In addition, during the Reporting Period, the Group provided distributed gas heating services to over 50 schools in Shanxi, Shandong and Hebei provinces with a heating area of over 200,000 square meters. Also, the Group served more than 12,000 students in some colleges in Guangxi province by supplying domestic hot water with air-source heat pumps. To ensure a reliable, stable and higher efficient energy supply, the Group conducted long-distance monitoring and intelligent operation and maintenance of the above solar power plants (including home photovoltaic systems) and supply of distributed heating and hot water. In addition, the Group owns and operate a 110 kilo-volt (kV) transformer station in Hefeng Industrial Park in Xinjiang, and has concession rights to operate the incremental electricity distribution network with voltage of up to 220kV in the park for a term of 30 years. Upon the settlement of enterprises in the park, the Group will be able to provide them with exclusive power supply and the related value-added services in the park.

During the Reporting Period, the smart energy business contributed approximately RMB248,264,000 (same period of 2019: RMB116,806,000) to the Group's revenue, representing an increase of approximately 112.54% from the same period of last year. Loss for the period amounted to RMB3,592,000 (same period of 2019: loss of RMB193,267,000), representing a decrease in loss of approximately 98.14 % from the same period of last year. The increase in revenue and the decrease in loss were mainly attributable to the increase in contribution of the home photovoltaic system business to the Group's revenue and profit during the Reporting Period, and the significant reduction in provision for trade receivables for the Reporting Period.

Public Infrastructure Construction Business

The public infrastructure construction business refers to the construction and the related preliminary investment and post-construction, operation and management of public infrastructure under the Baoding Donghu Project in Baoding City of Hebei Province. During the Reporting Period, the public infrastructure construction business contributed approximately RMB148,149,000 (same period of 2019: RMB30,654,000) to the Group's revenue. Loss for the period amounted to approximately RMB3,582,000 (same period of 2019: loss of approximately RMB48,915,000). The increase in revenue was primarily attributable to the increased investment made by the Group in the construction of public infrastructure under the Baoding Donghu Project during the Reporting Period. The decrease in loss was primarily attributable to the significant decrease in provision in respect of the Group's public infrastructure construction business which was RMB882,000 during the Reporting Period as compared to that of RMB47,815,000 in the same period of last year.

Business Outlook

2021 is the inaugural year of China's 14th Five-Year (2021 to 2025) Plan. It is also the first year of achieving grid parity in the solar power industry. Under the target guidance of peaking carbon dioxide emissions and achieving carbon neutrality and in the environment where cost of solar power generation continues to decrease, the solar power industry will wean off the reliance on national subsidies and enter into a pattern of endogenous development, hailing a new development era.

To achieve the target of carbon dioxide emission peak and carbon neutrality, the National Energy Administration has proposed an addition to the total wind and solar power capacity of 120 GW in 2021, which implies that China's annual new installation plan for the new energy sector will surpass 100 million kV for the first time and is 30% to 50% higher than the market expected target of 80 to 90 GW. It is expected by the industry that solar power will take up 80 GW of the new target. Should the target materializes, the newly installed capacity is going to increase by nearly 152% compared to 2020. Meanwhile, the relevant departments such as the National Development and Reform Commission, the Ministry of Transport, the Ministry of Housing and the Ministry of Industry and Information Technology etc., take action by introducing guiding opinions to encourage collaboration and integration among transport, construction and communication sectors. Solar power is expected to gradually applied more diversely in transport, construction, communication and other areas and enter into a phase of regulated and standardized development.

In respect of home photovoltaic business, according to the latest consultation policy of the National Energy Administration in February 2021, home photovoltaic projects will still have subsidies in 2021 (the size of subsidy and subsidy rate per unit are to be determined), and will not be counted in the annual guaranteed grid-connected capacity and may be directly treated as grid-connected consumption. In addition, in line with the rural vitalization strategy of China and the Campaign on Brightening Rural

Villages, bringing solar power to the countryside will provide a trillion-worth segmented solar power market. It can also optimize the structure of rural energy supply, promote upgrading of rural energy consumption and increase income of farmers.

In 2021, we will continue to adopt a robust development strategy under which, we will focus on our principal businesses and further improve our management process and implement strengthened cost control measures. Besides, we will be committed to innovation in business, financial and management models to explore a pattern suitable for developing the Group's home photovoltaic business, so as to deliver solar power to thousands of homes, green the rural ecological environment, thereby achieving good social, environmental and economic benefits, and making contribution to the Campaign on Brightening Rural Villages.

Financial Review

Revenue and Gross Profit

The Group's revenue and gross profit for the Reporting Period amounted to RMB396,413,000 (same period of 2019: RMB147,460,000) and RMB87,308,000 (same period of 2019: RMB78,674,000), respectively. The gross profit margin was 22.0% (same period of 2019: 53.4%).

The increase in revenue compared with the same period of last year was primarily attributable to the increase in revenue from sales of home photovoltaic systems and the additional investment in the public infrastructure construction business of the Group during the Reporting Period. The drop in gross profit margin compared with the same period of last year was primarily attributable to the change in structure of revenue, to which the contribution of the public infrastructure construction business with a lower gross profit margin increased.

Selling and Distribution Expenses

The Group incurred selling and distribution expenses of RMB11,150,000 during the Reporting Period (same period of 2019: RMB1,740,000), representing an increase of 540.80% as compared to last year, which was primarily attributable to the increase in expansion scale of the smart energy business, especially the home photovoltaic system business.

Administrative Expenses

The Group incurred administrative expenses of RMB40,688,000 during the Reporting Period (same period of 2019: RMB72,212,000), representing a decrease of 43.65% as compared to last year, primarily because of the reversal of share option fee and the strengthening of cost control measures by the Group to exercise strict control over costs and expenses during the Reporting Period.

Impairment Losses on Financial and Contract Assets

During the Reporting Period, the Group made a provision for impairment losses on financial and contract assets of RMB3,316,000 (same period of 2019: provision for impairment losses of RMB316,169,000). The significant decrease in the provision was mainly due to the significant decrease in the provision on contract assets, trade and other receivables, and the partial reversal of losses allowance for financial assets measured at amortised cost during the Reporting Period.

Finance Expenses — Net

Net finance expenses amounted to RMB15,507,000 during the Reporting Period (same period of 2019: RMB22,528,000), representing a decrease of 31.17% as compared to last year. Such decrease was primarily attributable to the decrease in borrowings.

Income Tax (Expense)/Credit

Income tax expense amounted to RMB2,240,000 during the Reporting Period (same period of 2019: income tax credit of RMB64,454,000), representing an increase in expense of 103.48% as compared to last year. Such increase in expense was primarily attributable to the decrease in deferred income tax credit as a result of the decrease in impairment loss on assets.

Financial Assets at Fair Value through Profit or Loss

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

(1) The Group held shares in an unlisted investment fund company, Giga Opportunities Fund Ltd., an independent third party, at the total investment cost of HK$90,000,000 (equivalent to RMB78,859,000). On 23 December 2020, the Group requested the fund to redeem all the shares thereof at the redemption amount of approximately HK$82,088,011. The Group has received the proceeds from the redemption before 31 December 2020. During the Reporting Period, the fund generated a fair value gain of approximately HK$1,755,000 (equivalent to RMB1,562,000) (same period of 2019: gain of approximately HK$1,747,000, equivalent to RMB1,537,000). After completion of the redemption, the Group ceased to hold any interest in the fund. For details, please refer to the announcement of the Company dated 23 December 2020.

(2) The Group held shares in an unlisted investment fund, Yue Xiu Stable Income Segregated Portfolio, an independent third-party investment fund, at the investment cost of HK$88,800,000 (equivalent to RMB77,806,000). On 17 December 2020, the Group requested the fund to redeem 4,390.8282984 Class A shares thereof at the total redemption amount of approximately HK$34,430,000. The Group has received the proceeds from the redemption before 31 December 2020. After completion of the redemption, the Group holds interest in the remaining 6,935.6307632 Class A shares. For details, please refer to the announcement of the Company dated 17 December 2020.

The fund had a fair value of HK$54,773,000 (equivalent to RMB46,099,000) as at 31 December 2020 (as at 31 December 2019: HK$89,452,000, equivalent to RMB80,130,000). During the Reporting Period, the fund generated a fair value loss of approximately HK$250,000 (equivalent to approximately RMB222,000) (same period of 2019: loss of approximately HK$1,190,000, equivalent to approximately RMB1,047,000). As at 31 December 2020, the carrying value of the fund accounted for approximately 3.0% of the Group's total assets (as at 31 December 2019: 4.3%) and approximately 98.0% of portfolio of financial assets at fair value through profit and loss (as at 31 December 2019: 51.0%).

(3) In 2018, the Group subscribed for unlisted exchangeable corporate bonds 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. In August 2019, the Group requested to redeem the exchangeable corporate bonds. As at 31 December 2020, the remaining principal amount of the exchangeable corporate bonds was HK$715,000 (equivalent to RMB602,000) with a fair value of HK$1,142,000 (equivalent to RMB962,000) (as at 31 December 2019: HK$5,485,000, equivalent to RMB4,913,000).

During the Reporting Period, the exchangeable corporate bonds generated a fair value gain of approximately HK$36,000 (equivalent to approximately RMB30,000) (same period of 2019: gain of approximately HK$30,000, equivalent to approximately RMB26,000). As at 31 December 2020, the carrying value of the exchangeable corporate bonds accounted for approximately 0.1% of the Group's total assets (as at 31 December 2019: 0.3%) and approximately 2.0% of the portfolio of financial assets at fair value through profit and loss (as at 31 December 2019: 3.1%).

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 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 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 31 December 2020, bank balances and cash amounted to approximately RMB155,585,000 (31 December 2019: RMB98,616,000), of which approximately RMB139,000 (31 December 2019: RMB66,388,000) was restricted bank balances (mainly used for the expenses incurred under the Baoding Donghu Project). Such increase in bank balances and cash was primarily attributable to the full or partial recovery of investment in financial assets.

Total current assets and current ratio

As at 31 December 2020, total current assets and current ratio (total current assets/total current liabilities) were approximately RMB743,960,000 (31 December 2019: RMB925,343,000) and 6.27 (31 December 2019: 2.53), respectively. The decrease in total current assets was primarily attributable to the repayment of bank loans during the year and the increase in current ratio was the result of the decrease in liabilities due to the repayment of bank loans.

External borrowings and pledge of assets

As at 31 December 2020, the Group had external borrowings of RMB235,400,000 (31 December 2019: RMB534,400,000), of which RMB235,400,000 was secured by the machinery of solar power plants with a carrying amount of RMB285,107,000 and the future receivable collection right of certain subsidiaries (31 December 2019: RMB259,400,000 was secured by the machinery of solar power plants with a carrying amount of RMB302,146,000 and the future receivable collection right of certain subsidiaries); and the borrowings secured by the guarantees provided by related parties of the Group: nil (31 December 2019: RMB275,000,000).

Gearing Ratio

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

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Bank loans	**235,400**	534,400
Lease liabilities	**11,939**	15,144
Less: Cash and cash equivalents	**(155,446)**	(32,228)
Restricted cash	**(139)**	(66,388)
Net debt	**91,754**	450,928
Total equity	**1,201,916**	1,225,093
Total capital (Net debt plus total equity)	**1,293,670**	1,676,020
Gearing ratio (Net debt/total capital)	**7.1%**	26.9%

As at 31 December 2020, the gearing ratio of the Group was 7.1%, representing a decrease of 19.8 percentage points as compared to 26.9% as at 31 December 2019. The decrease was primarily attributable to the repayment of loans during the Reporting Period.

Long-term and short-term debts accounted for 89.6% and 10.4%, respectively (as at 31 December 2019: 44.0% and 56.0%), of which the borrowings of RMB235,400,000 in respect of solar power plants were gradually repaid by the 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 external borrowings. During the Reporting Period, the interest rates of external borrowings ranged from 5.23% to 5.46% per annum (same period of 2019: 5.39% to 7.00% per annum). In particular, the interests on the borrowings for the Baoding Donghu Project were borne by the government, with no exposure to any interest rate risk thereon. The interest rate applicable to the borrowings for solar power plants was 10% to 15% over the same period base lending rate of the People's Bank of China. The source of risk lies in the fluctuations in China's interest rate policies. 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.

Investment Commitments

As at 31 December 2020, The Group had investment commitments of RMB101,600,000 (31 December 2019: RMB101,600,000), which were mainly the Group's obligations of capital contribution to its associate Longyao (Beijing) Clean Energy Technology Company Limited* (隆耀(北京)清潔能源科技有限公司) ("**Longyao Beijing**") that shall be fulfilled before 31 December 2021.

Contingent Liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities (31 December 2019: Nil).

MATERIAL ACQUISITION, INVESTMENT AND DISPOSAL

Material Acquisition and Investment

Since Shengli Oilfield Lifeng Industrial Group Co., Ltd.* (勝利油田利豐實業集團有限公司) ("**Shengli Oilfield Lifeng**") and Shandong Hailifeng Clean Energy Joint Stock Co., Ltd.* (山東海利豐清潔能源股份有限公司) ("**Hailifeng**") failed to pay the repurchase consideration of RMB60,000,001 to Beijing Longguang Energy Technology Co., Ltd* (北京隆光能源科技有限公司) ("**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, Hailifeng and Shandong Shengfeng Heating Co., Ltd* (山東盛豐熱力有限責任公司) ("**Shengfeng Heating**") entered into a settlement agreement (the "**Settlement Agreement**") with Beijing Longguang, pursuant to which Shengli Oilfield Lifeng and Hailifeng agreed to settle the Debt by way of 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 Settlement Agreement, Shengfeng Heating will be owned as to 90% by the Group and as to 10% by 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.

Save as disclosed above, the Group had no material acquisition and investment during the Reporting Period.

Material Disposal

The Group had no material disposal during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 269 employees as at 31 December 2020 (31 December 2019: 85 employees). The increase in the number of employees was primarily due to the expansion of the Group's home photovoltaic business. Employees were remunerated according to the nature of their positions, individual qualification, performance, work experience and market trends, and subject to periodic reviews based on their performance. Meanwhile, to attract and retain high-caliber employees to ensure smooth operation and cater for the Group's constant expansion, the Group offers competitive remuneration and benefit packages to employees at different levels, including discretionary bonuses, various training programmes, sponsorship for further study and share option schemes for the benefit of the directors and eligible employees of the Group.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The Group is principally engaged in the smart energy and public infrastructure construction businesses. The smart energy business, which mainly comprises the operation of solar power plants and sales of home photovoltaic systems, is an environmentally friendly business. With the focus on the smart energy business, the Group strive to develop clean energy sources and is committed to protecting the environment and mitigating the impact of its operations on the environment. The Group's public infrastructure construction business represents the Baoding Donghu PPP project. The project is to develop a new functional urban area in Baoding city highlighted with ecological culture. The project comprises a lake district with an area of 600 mu, park and green space with an area of 250,000 square meters, Guan Hanqing theater and museum with an area of approximately 70,000 square meters and urban protective green belt with an area of 310,000 square meters. The project connects to public and infrastructural facilities such as the municipal road of 4.68 square kilometers, educational facilities for primary and secondary schools, and public stations. It will improve the urban function of Baoding city, enrich the cultural asset of the city, and enrich the cultural life of the citizens while bringing benefits to the environment.

In the course of developing its smart energy and public infrastructure construction businesses, the Group should mainly comply with the requirements and restrictions under the following environmental laws and regulations, namely, the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the People's Republic of China on Appraising of Environment Impacts and the Regulations on the Administration of Environmental Protection of Construction Projects. The Group has paid consistent attention to complying with the laws and regulations on environmental protection. During the Reporting Period, the Group complied with the relevant laws and regulations on environmental protection that have a material impact on the Group.

We also recognize the importance of maintaining mutually beneficial relationships with stakeholders, including our shareholders and investors, government organs, employees, customers, suppliers and local communities. Their support is vital to the Group's sustainable development. We pay close attention to the needs of all our stakeholders, offer solutions to addressing their needs and continuously interact with them in ways that are conducive to the sustainable growth of the Company, the industry and the community. For details of the Group's environmental, social and governance report for 2020, please refer to the "Environmental, Social and Governance Report" of the Company which is expected be issued before the end of May 2021.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE 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 Reporting 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

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**"), comprising the three independent non-executive Directors, has reviewed the Group's consolidated financial statements for the year ended 31 December 2020 together with the management of the Company.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited (the "**BDO**"), Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on the preliminary announcement.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.longitech.hk), and the 2020 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hebei, 31 March 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.*