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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 2021

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 2021 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2020 as follows:

### Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	3(a)	462,642	396,413
Cost of sales	4	<u>(374,988)</u>	<u>(309,105)</u>
<b>Gross profit</b>		<b>87,654</b>	87,308
Selling and distribution expenses	4	(18,242)	(11,150)
Administrative expenses	4	(63,622)	(40,688)
Reversal of impairment losses/(impairment losses) on financial and contract assets	5	5,735	(3,316)
Other income		149	445
Other gains — net	6	<u>994</u>	<u>1,139</u>
<b>Operating profit</b>		<b>12,668</b>	33,738

**Consolidated Statement of Profit or Loss (Continued)***For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Finance income		<b>7,048</b>	5,740
Finance expenses		<u><b>(13,338)</b></u>	<u>(21,247)</u>
Finance expenses — net		<b>(6,290)</b>	(15,507)
Share of net profit/(loss) of associates accounted for using the equity method		<u><b>2,457</b></u>	<u>(17,248)</u>
<b>Profit before income tax</b>		<b>8,835</b>	983
Income tax expense	7	<u><b>(38,873)</b></u>	<u>(2,240)</u>
<b>Loss for the year</b>		<u><b>(30,038)</b></u>	<u>(1,257)</u>
<b>(Loss)/profit is attributable to:</b>			
Owners of the Company		<b>(28,221)</b>	1,064
Non-controlling interests		<u><b>(1,817)</b></u>	<u>(2,321)</u>
		<u><b>(30,038)</b></u>	<u>(1,257)</u>
<b>(Loss)/earnings per share for (loss)/profit attributable to owners of the Company (RMB):</b>			
Basic (loss)/earnings per share	8(a)	<u><b>(0.0190)</b></u>	<u>0.0007</u>
Diluted (loss)/earnings per share	8(b)	<u><b>(0.0190)</b></u>	<u>0.0007</u>

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Loss for the year</b>	<b>(30,038)</b>	(1,257)
<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>(210)</u>	<u>(9,041)</u>
<b>Other comprehensive loss for the year, net of tax</b>	<u>(210)</u>	<u>(9,041)</u>
<b>Total comprehensive loss for the year</b>	<u><b>(30,248)</b></u>	<u>(10,298)</u>
<b>Total comprehensive loss for the year is attributable to:</b>		
Owners of the Company	(28,431)	(7,977)
Non-controlling interests	<u>(1,817)</u>	<u>(2,321)</u>
	<u><b>(30,248)</b></u>	<u>(10,298)</u>

## Consolidated Statement of Financial Position

As at 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		432,568	442,794
Right-of-use assets		15,083	16,143
Intangible assets		4,715	6,789
Deferred tax assets		33,043	71,692
Investments accounted for using the equity method		265,854	263,397
Deposits	11	8,000	—
Other non-current assets		<u>11,728</u>	<u>9,605</u>
<b>Total non-current assets</b>		<u><b>770,991</b></u>	<u>810,420</u>
<b>Current assets</b>			
Inventories		30,805	28,991
Contract assets	9	187,722	181,263
Trade and other receivables	11	205,404	258,199
Financial assets at amortised cost	10	64,035	72,861
Financial assets at fair value through profit or loss		—	47,061
Restricted cash		18,341	139
Cash and cash equivalents		<u>222,320</u>	<u>155,446</u>
<b>Total current assets</b>		<u><b>728,627</b></u>	<u>743,960</u>
<b>Total assets</b>		<u><b>1,499,618</b></u>	<u>1,554,380</u>
<b>Equity and liabilities</b>			
Share capital		12,255	12,255
Reserves		1,143,725	1,143,917
Retained earnings		<u>10,519</u>	<u>38,758</u>
<b>Equity attributable to owners of the Company</b>		<b>1,166,499</b>	1,194,930
<b>Non-controlling interests</b>		<u><b>5,092</b></u>	<u>6,986</u>
<b>Total equity</b>		<u><b>1,171,591</b></u>	<u>1,201,916</u>

## Consolidated Statement of Financial Position (Continued)

As at 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		<b>186,300</b>	211,000
Lease liabilities		<b>12,110</b>	9,213
Deferred government grants		<b>2,066</b>	2,173
Deferred tax liabilities		<b>10,854</b>	11,490
<b>Total non-current liabilities</b>		<b>211,330</b>	233,876
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>64,883</b>	68,919
Contract liabilities		<b>14,237</b>	11,939
Current tax liabilities		<b>12,250</b>	10,604
Borrowings		<b>24,700</b>	24,400
Lease liabilities		<b>627</b>	2,726
<b>Total current liabilities</b>		<b>116,697</b>	118,588
<b>Total liabilities</b>		<b>328,027</b>	352,464
<b>Total equity and liabilities</b>		<b>1,499,618</b>	1,554,380

## Notes

*For the year ended 31 December 2021*

### 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, P.O. Box 1350, Grand Cayman KY1-1108, the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 January 2012.

The Company and its subsidiaries (together, the “Group”) are principally engaged in smart energy business and public infrastructure construction business. For this reporting period, 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 2021 throughout the year ended 31 December 2021.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 — Interest Rate Benchmark Reform — Phase 2
- Amendment to IFRS 16 — Covid-19-Related Rent Concessions

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 2021 reporting periods and have not been early adopted by the Group:

Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendment to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 <sup>2</sup>
Amendments to IFRS 16	Covid-19-related Rent Concessions beyond 30 June 2021 <sup>1</sup>
IFRS 17	Insurance Contracts <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies <sup>3</sup>
Amendments to IAS 8	Definition of accounting estimates <sup>3</sup>
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Sales of electricity	63,457	63,022
Sales of home photovoltaic systems and rendering smart energy services	253,441	185,242
Public infrastructure construction	<u>145,744</u>	<u>148,149</u>
	<u><b>462,642</b></u>	<u><b>396,413</b></u>
<i>Timing of revenue recognition</i>		
At a point in time	315,230	242,579
Over time	<u>147,412</u>	<u>153,834</u>
	<u><b>462,642</b></u>	<u><b>396,413</b></u>

For the year ended 31 December 2021, there was one customer (2020: one customer) with which the Group's transactions exceeded 10% of total revenue. One customer (2020: one customer) was from public infrastructure construction business and none (2020: none) was from smart energy business. For the year ended 31 December 2021, revenue derived from this customer amounted to RMB145,744,000 (2020: RMB147,428,000).

#### (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 <i>RMB'000</i>	Public infrastructure construction business <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Intersegment eliminations <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended 31 December 2021</b>					
Revenue from external customers	316,898	145,744	—	—	462,642
Reversal of impairment losses on financial assets	5,735	—	—	—	5,735
Impairment losses on property, plant and equipment	(11,642)	—	—	—	(11,642)
Impairment losses on right-of-use assets	(80)	—	—	—	(80)
Finance income	6,802	245	1	—	7,048
Finance expenses	(13,320)	—	(18)	—	(13,338)
Share of net gain of associates accounted for using the equity method	2,457	—	—	—	2,457
Income tax expense	(34,701)	(4,172)	—	—	(38,873)
(Loss)/profit for the year	(28,016)	2,684	(4,706)	—	(30,038)
Other information					
Depreciation and amortisation	(31,943)	(18)	(1,211)	—	(33,172)
Additions to non-current assets (Note)	32,196	—	—	—	32,196
<b>As at 31 December 2021</b>					
Reportable segment assets	1,723,643	215,280	357,460	(796,765)	1,499,618
Reportable segment liabilities	<u>964,834</u>	<u>159,635</u>	<u>323</u>	<u>(796,765)</u>	<u>328,027</u>

	Smart energy business RMB'000	Public infrastructure construction business RMB'000	Unallocated RMB'000	Intersegment eliminations RMB'000	Total RMB'000
<b>Year ended 31 December 2020</b>					
Revenue from external customers	248,264	148,149	—	—	396,413
Impairment losses on financial and contract assets	(2,434)	(882)	—	—	(3,316)
Impairment losses on property, plant and equipment	(5,723)	—	—	—	(5,723)
Impairment losses on goodwill	(138)	—	—	—	(138)
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)
<b>Other information</b>					
Depreciation and amortisation	(35,849)	(36)	(49)	—	(35,934)
Additions to non-current assets (Note)	964	—	—	—	964
<b>As at 31 December 2020</b>					
Reportable segment assets	1,354,378	240,042	443,416	(483,456)	1,554,380
Reportable segment liabilities	<u>644,908</u>	<u>189,247</u>	<u>1,765</u>	<u>(483,456)</u>	<u>352,464</u>

Note: Additions to non-current assets exclude financial assets 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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Changes in inventories of finished goods	210,591	139,896
Subcontract costs	137,517	134,584
Employee benefit expense	36,536	20,016
Depreciation and amortisation	33,172	35,934
Consulting and legal fees	5,818	4,913
Repair and maintenance expenses	6,095	5,382
Transportation and travelling expenses	3,142	1,171
Promotion and advertising expenses	635	392
Short term lease expenses and low-value assets lease expenses	2,969	2,650
Impairment of property, plant and equipment	11,642	5,723
Impairment of goodwill	—	138
Reversal of inventories write-down	(976)	—
Auditor's remuneration		
— Audit services	1,800	2,000
— Non-audit services	333	—
Others	<u>7,578</u>	<u>8,144</u>
Total cost of sales, selling and distribution expenses and administrative expenses	<u><u>456,852</u></u>	<u><u>360,943</u></u>

#### 5. (REVERSAL OF IMPAIRMENT LOSSES)/IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment losses for contract assets ( <i>Note 9</i> )	—	882
Reversal of impairment losses for financial assets at amortised cost ( <i>Note 10</i> )	(8,140)	(13,952)
Impairment losses for trade and other receivables ( <i>Note 11</i> )	<u>2,405</u>	<u>16,386</u>
	<u><u>(5,735)</u></u>	<u><u>3,316</u></u>

## 6. OTHER GAINS — NET

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net fair value gains on financial assets at fair value through profit or loss	700	2,071
Net foreign exchange losses	(486)	(819)
Net losses on disposal of property, plant and equipment	—	(55)
Gains on disposal of subsidiaries	748	—
Others	<u>32</u>	<u>(58)</u>
	<u><b>994</b></u>	<u><b>1,139</b></u>

## 7. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current income tax	(860)	(4,326)
Deferred income tax	<u>(38,013)</u>	<u>2,086</u>
	<u><b>(38,873)</b></u>	<u><b>(2,240)</b></u>

- (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 2021 (2020: nil).
- (c) For the year end 31 December 2021, the statutory income tax rate of entities within the Group registered in the PRC is 25% (2020: 25%), except for certain entities entitled to tax exemption or preferential rates.

## 8. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

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

	2021	2020
(Loss)/profit attributable to owners of the Company (RMB'000)	(28,221)	1,064
Weighted average number of ordinary shares in issue (thousands)	<u><b>1,484,604</b></u>	<u>1,484,604</u>
Basic (loss)/earnings per share (RMB)	<u><b>(0.0190)</b></u>	<u><b>0.0007</b></u>

**(b) Diluted (loss)/earnings per share**

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. For the year ended 31 December 2021 and 2020, no diluted (loss)/earnings per share has been presented because the exercise price of the Company's options was higher than the average market price per share.

**9. CONTRACT ASSETS**

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Contract costs incurred plus recognised profit less recognised losses	<b>1,683,689</b>	1,532,573
Less: progress billings	<u><b>(1,495,967)</b></u>	<u>(1,351,310)</u>
Net balance sheet position for ongoing contracts	<u><b>187,722</b></u>	<u>181,263</u>
Of which are:		
Current contract assets	<b>187,722</b>	181,263
Non-current contract assets	<u>—</u>	<u>—</u>
	<u><b>187,722</b></u>	<u>181,263</u>

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 would not be compensated. Therefore a provision of RMB882,000 was made by the Group during the year ended 31 December 2020. No such provision was made during the year ended 31 December 2021. Movement in the loss allowance of contract assets is as follows:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Opening balance	—	—
Increase in loss allowance	—	882
Written off as uncollectible	<u>—</u>	<u>(882)</u>
Closing balance	<u><u>—</u></u>	<u><u>—</u></u>

## 10. FINANCIAL ASSETS AT AMORTISED COST

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Loans to related parties	12,662	15,778
Loans to third parties	61,703	76,153
Receivable relating to investment in Shandong Hailifeng Clean Energy Joint Stock Co., Ltd (“Hailifeng”)	<u>60,000</u>	<u>60,000</u>
	<u>134,365</u>	<u>151,931</u>
Less: loss allowance	<u>(70,330)</u>	<u>(79,070)</u>
	<u><u>64,035</u></u>	<u><u>72,861</u></u>

Interests from loans to related parties and third parties charged at commercial rates are included in finance income.

For debt investments at amortised cost considered to have low credit risk, applying the expected credit risk model result in loss allowance recognised of RMB126,000 as at 31 December 2021 (2020: RMB587,000).

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 RMB70,204,000 was recognised as at 31 December 2021 (31 December 2020: RMB78,483,000).

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

	Loans to related parties (a) <i>RMB'000</i>	Loans to third parties (b) <i>RMB'000</i>	Receivable relating to investment in Hailifeng <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2020</b>	2,156	78,471	15,162	95,789
Increase/(decrease) in loss allowance	587	(14,539)	—	(13,952)
Written-off	<u>—</u>	<u>—</u>	<u>(2,767)</u>	<u>(2,767)</u>
<b>As at 31 December 2020 and 1 January 2021</b>	2,743	63,932	12,395	79,070
Decrease in loss allowance	(461)	(1,629)	(6,050)	(8,140)
Written-off	<u>—</u>	<u>(600)</u>	<u>—</u>	<u>(600)</u>
<b>As at 31 December 2021</b>	<u><u>2,282</u></u>	<u><u>61,703</u></u>	<u><u>6,345</u></u>	<u><u>70,330</u></u>

- (a) For the year ended 31 December 2021, the loss allowance of RMB461,000 was reversed for (2020: RMB587,000 was charged to) loans to related parties based on the management's impairment assessment.
- (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. The Group recovered part of the loans during the year ended 31 December 2021, a total allowance for expected credit losses amounting to RMB61,703,000 was recognised as at 31 December 2021 (2020: RMB63,932,000).

The security of loans to third parties is as follows:

<b>Principal amount as at 31 December 2021</b>	<b>Pledged assets</b>	<b>Guarantees</b>
2,000	Borrower's assets	By the borrower's controlling shareholder and an independent third party
7,000	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 2021 and 2020, the Group's financial assets at amortised cost were all denominated in RMB.

Since 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 financial assets at amortised cost were not materially different from their fair values as at 31 December 2021 and 2020.

## 11. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables (a)	281,949	310,493
Tariff adjustment receivables (b)	<u>103,309</u>	<u>84,592</u>
	<b>385,258</b>	395,085
Less: loss allowance	<u>(205,701)</u>	<u>(203,296)</u>
Total trade receivables	<u>179,557</u>	<u>191,789</u>
Notes receivables	400	550
Prepayments	4,699	45,560
Other receivables	29,305	20,857
Less: loss allowance for other receivables	<u>(557)</u>	<u>(557)</u>
Gross trade and other receivables	<u>213,404</u>	<u>258,199</u>
Non-current portion	<u>(8,000)</u>	<u>—</u>
Current portion	<u><u>205,404</u></u>	<u><u>258,199</u></u>

As at 31 December 2021, the collection rights of trade receivables derived from certain solar power plants with carrying amount of RMB141,797,000 (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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	66,023	93,182
1 year to 2 years	38,322	76,065
2 years to 3 years	74,195	206,618
Over 3 years	<u>206,718</u>	<u>19,220</u>
	<u><u>385,258</u></u>	<u><u>395,085</u></u>

- (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 2021 and 2020 was determined as follows:

**As at 31 December 2021**

Sales of home photovoltaic systems	Not yet past due	Past due within 6 months	Past due within 6 months to 18 months	Past due over 18 months	Total
<i>Individually assessed:</i>					
Gross carrying amount (RMB'000)	—	—	—	202,871	202,871
Loss allowance (RMB'000)	—	—	—	(185,802)	(185,802)
<i>Collectively assessed:</i>					
Expected loss rate	0%	0%	5%	N/A	
Gross carrying amount (RMB'000)	3,644	20,364	410	—	24,418
Loss allowance (RMB'000)	—	—	(19)	—	(19)
Total loss allowance (RMB'000)					<u>(185,821)</u>

**As at 31 December 2020**

Sales of home photovoltaic systems	Not yet past due	Past due within 6 months	Past due within 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>

A total allowance for expected credit losses in trade receivables amounting to RMB185,821,000 was recognised as at 31 December 2021 (31 December 2020: RMB187,076,000).

**As at 31 December 2021**

Rendering smart energy services	Not yet past due	Past due within 1 year	Past due between 1 year and 2 years	Past due between 2 years and 3 years	Past due over 3 years	Total
<i>Individually assessed:</i>						
Gross carrying amount (RMB'000)	—	1,908	816	10,914	—	13,638
Loss allowance (RMB'000)	—	(1,908)	(816)	(10,914)	—	(13,638)
<i>Collectively assessed:</i>						
Expected loss rate	0%	5%	9%	N/A	16%	
Gross carrying amount (RMB'000)	208	230	16,029	—	200	16,667
Loss allowance (RMB'000)	—	(11)	(1,428)	—	(32)	(1,471)
Total loss allowance (RMB'000)						<u>(15,109)</u>

**As at 31 December 2020**

Rendering smart energy services	Not yet past due	Past due within 1 year	Past due between 1 year and 2 years	Past due between 2 years and 3 years	Past due over 3 years	Total
<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%	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)						<u>(13,042)</u>

**As at 31 December 2021**

Sales of electricity (non-government entities)	Not yet past due	Past due within 11 months	Past due	Past due	Past due	Past due over 47 months	Total
			11 months and 23 months	23 months and 35 months	35 months and 47 months		
<i>Individually assessed:</i>							
Gross carrying amount (RMB'000)	52	791	497	581	527	1,113	3,561
Loss allowance (RMB'000)	(52)	(791)	(497)	(581)	(527)	(1,113)	(3,561)
<i>Collectively assessed:</i>							
Expected loss rate	0%	0%	5%	9%	13%	16%	
Gross carrying amount (RMB'000)	1,100	6,354	4,861	7,286	1,098	95	20,794
Loss allowance (RMB'000)	—	—	(222)	(649)	(140)	(15)	(1,026)
Total loss allowance (RMB'000)							<u>(4,587)</u>

**As at 31 December 2020**

Sales of electricity (non-government entities)	Not yet past due	Past due within 11 months	Past due	Past due	Past due	Past due over 47 months	Total
			11 months and 23 months	23 months and 35 months	35 months and 47 months		
<i>Individually assessed:</i>							
Gross carrying amount (RMB'000)	45	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>

### As at 31 December 2021

		Past due within 11 months	Past due between 11 months and 23 months	Past due between 23 months and 35 months	Past due between 35 months and 47 months	Past due over 47 months	Total
Sales of electricity (tariff adjustment receivables)	Not yet past due						
<i>Collectively assessed:</i>							
Expected loss rate	0%	0%	0.13%	0.31%	0.55%	0.82%	
Gross carrying amount (RMB'000)	2,771	30,738	30,416	31,225	6,589	1,570	103,309
Loss allowance (RMB'000)	—	—	(39)	(96)	(36)	(13)	(184)
Total loss allowance (RMB'000)							(184)

### As at 31 December 2020

		Past due within 11 months	Past due between 11 months and 23 months	Past due between 23 months and 35 months	Past due between 35 months and 47 months	Past due over 47 months	Total
Sales of electricity (tariff adjustment receivables)	Not yet past due						
<i>Collectively assessed:</i>							
Expected loss rate	0%	0%	0.05%	0.12%	0.24%	0.37%	
Gross carrying amount (RMB'000)	299	30,401	31,900	16,779	4,359	852	84,590
Loss allowance (RMB'000)	—	—	(15)	(20)	(10)	(3)	(48)
Total loss allowance (RMB'000)							(48)

(b) As at 31 December 2021, RMB69,800,000 (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 RMB184,000 recognised for tariff adjustment receivables as at 31 December 2021 (2020: RMB48,000).

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

	2021 RMB'000	2020 RMB'000
Opening balance	203,853	187,467
Increase in loss allowance		
— Trade receivables	2,405	15,829
— Other receivables	—	557
Written off as uncollectible		
— Trade receivables	—	—
— Other receivables	—	—
Closing balance	206,258	203,853

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

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
HK\$	26	425
RMB	<u>213,378</u>	<u>257,774</u>
	<u><b>213,404</b></u>	<u>258,199</u>

As at 31 December 2021 and 2020, the carrying amounts of trade and other receivables approximated their fair values.

## 12. TRADE AND OTHER PAYABLES

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	23,557	32,917
Accruals and other payables	<u>41,326</u>	<u>36,002</u>
	<u><b>64,883</b></u>	<u>68,919</u>

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

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 1 year	11,976	19,810
Over 1 year	<u>11,581</u>	<u>13,107</u>
	<u><b>23,557</b></u>	<u>32,917</u>

As at 31 December 2021 and 2020, 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 2021 and 2020, the Company did not declare any dividends to the shareholders of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group is principally engaged in smart energy business with focus on the operation of solar power plants (including sales of home photovoltaic systems) and public infrastructure construction business in relation to the Baoding Donghu public-private partnership (PPP) project.

During the Reporting Period, the Group recorded a revenue of RMB462,642,000 (same period of 2020: RMB396,413,000), representing an increase of approximately 16.7% as compared to the same period of last year, which was primarily attributable to the growth in sales of the home photovoltaic business. Loss attributable to owners of the Company was RMB28,221,000 (same period of 2020: profit attributable to owners of the Company of RMB1,064,000). Such turnaround to loss from profit was primarily attributable to: (1) the lower overall gross profit margin as a result of the impacts of rising costs of raw materials for photovoltaic and other factors, albeit the growth in revenue from the principal operations, in particular of the home photovoltaic business; and (2) the derecognition of deferred income tax assets of approximately RMB37,000,000, which was nil for the same period of 2020, in view of changes in business environment.

### 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 utilisation services based on various energy sources 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 utilisation efficiency and reduce energy consumption cost, whereby building a diversified, clean and low-carbon energy supply system.

The Group works to realise 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 analyses 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 79,660 MWh (same period of 2020: 80,690 MWh). In terms of the home photovoltaic business, the Group mainly sold and installed home photovoltaic systems in Hebei Province. During the Reporting Period, the Group sold and installed home photovoltaic systems with capacity of approximately 82.5 MW (same period of 2020: 62.4 MW). During the Reporting Period, in order to save management fees, the Group disposed of its business of provision of distributed gas heating and campus hot water services which was of a small size and scale. Meanwhile, the Group's transformer station can provide power supply and related value-added services in Hefeng Industrial Park in Xinjiang, which was subject to the settlement of enterprises in the park.

During the Reporting Period, the smart energy business contributed approximately RMB316,898,000 (same period of 2020: RMB248,264,000) to the Group's revenue, representing an increase of approximately 27.6% as compared to the same period of last year, which was primarily attributable to the growth in sales of the home photovoltaic business. Loss for the period amounted to RMB28,016,000 (same period of 2020: loss of RMB3,592,000). Such increase in the loss was primarily attributable to the decrease in gross profit and the derecognition of deferred income tax assets.

### ***Public Infrastructure Construction Business***

The public infrastructure construction business refers to the construction and 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 RMB145,744,000 (same period of 2020: RMB148,149,000) to the Group's revenue. Profit for the period amounted to approximately RMB2,684,000 (same period of 2020: loss of approximately RMB3,582,000). The turnaround to profit from loss was primarily attributable to the decrease in management fees and finance expenses incurred for the public infrastructure construction business as compared with last year.

### **Business Outlook**

Although the global economy made a strong rebound after the COVID-19 pandemic started to ease in 2021, the recurrent pandemic waves, the worsening inflation, the soaring commodity prices and the intense geopolitical tensions have shaped a complex and challenging macroeconomic landscape for 2022, which will no doubt be a year of frustration and hardship.

Amid these trying times, there has remained a general trend of reducing carbon emissions and developing clean energy sources. Therefore, the market outlook for electricity generation from renewable energy sources, in particular of wind and solar power, is still promising. Under the guidance of "dual carbon goals", China's solar power industry will continue to grow rapidly and will see simultaneous increases in centralised distributed installations. Home photovoltaic systems are the main force of distributed solar power generation. According to a document issued by the National

Development and Reform Commission, subsidies for new projects of home distributed photovoltaic systems will be cancelled starting 2022, which implies that the home photovoltaic business is entering into a stage of fully market-driven and competitive development.

In 2021, due to the continuous increase in price of polycrystalline silicon, one of the major materials for photovoltaic components, the cost of investment for solar power plants trended upwards rather than downwards, which greatly affected the installed capacity and growth rate of solar power plants. If the price for solar power plants stays at a high level in 2022, the profit margin in the industry will further be suppressed and accordingly, the newly installed capacity of solar power plants is expected to continue to be affected and delayed in 2022.

In the new fiscal year, we will continue to adopt a robust development strategy and positively address the challenges from changes in external environment. We will also timely harness the development opportunities presented by industry changes. While cost control and risk management are ensured, we will intensify our efforts to expand the development model of our principal business, thereby deliver attractive returns to our shareholders.

## **Financial Review**

### ***Revenue and Gross Profit***

The Group's revenue and gross profit for the Reporting Period amounted to RMB462,642,000 (same period of 2020: RMB396,413,000) and RMB87,654,000 (same period of 2020: RMB87,308,000), respectively. The gross profit margin was 18.9% (same period of 2020: 22.0%).

The increase in revenue as compared to the same period of last year was primarily attributable to the increase in sales revenue of the home photovoltaic business. The decrease in gross profit margin as compared to the same period of last year was primarily attributable to the lower gross profit margin of the home photovoltaic business as a result of the rising costs of raw materials for photovoltaic systems.

### ***Selling and Distribution Expenses***

The Group incurred selling and distribution expenses of RMB18,242,000 during the Reporting Period (same period of 2020: RMB11,150,000), representing an increase of 63.6% as compared to last year, which was primarily attributable to the increase in expansion scale of the home photovoltaic business.

### ***Administrative Expenses***

The Group incurred administrative expenses of RMB63,622,000 during the Reporting Period (same period of 2020: RMB40,688,000), representing an increase of 56.4% as compared to last year, which was primarily because of the reversal of a large amount of share option fees in the same period of last year but there was no such fee reversal for the Reporting Period, and the increase in impairment provisions for fixed assets as compared with the same period of last year.

### ***Reversal of Impairment Losses/Impairment Losses on Financial and Contract Assets***

During the Reporting Period, the Group made a reversal of impairment losses on financial and contract assets of RMB5,735,000 (same period of 2020: impairment losses of RMB3,316,000), primarily attributable to the recovery of certain financial assets measured at amortised cost by the Group during the Reporting Period, on which reversal of impairment losses was therefore made.

### ***Finance Expenses — Net***

Net finance expenses amounted to RMB6,290,000 for the Reporting Period (same period of 2020: RMB15,507,000), representing a decrease of 59.5% as compared to last year. Such decrease was primarily attributable to the decrease in borrowings.

### ***Income Tax Expense***

Income tax expense amounted to RMB38,873,000 for the Reporting Period (same period of 2020: income tax expense of RMB2,240,000), representing an increase in the expense of 1,635% as compared to last year. Such increase in the expense was primarily attributable to the derecognition of deferred income tax assets amounting to approximately RMB37,000,000 due to the changes in business environment.

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

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

- (1) The Group was interested in 6,935.6307631 class A shares in an unlisted investment fund, Yue Xiu Stable Income SP, which is an independent third-party investment fund. On 8 December 2021, the Company served a redemption notice to the fund to redeem all of its remaining shares in the fund, being 6,935.6307631 class A shares, at the redemption proceeds of approximately HK\$57,430,000. The final redemption proceeds shall be subject to completion of audit by the fund and any adjustment to be made to the relevant redemption price as a result of the audit. For details, please refer to the announcement of the Company dated 8 December 2021 and the circular of the Company dated 20 December 2021.

Based on the audit result of the fund for the year ended 31 December 2021, the final redemption price was approximately HK\$57,410,000. The Company has received the above redemption proceeds in full before the date of this announcement.

During the Reporting Period, a fair value gain arising from the fund of approximately HK\$909,000 (equivalent to RMB776,000) (same period of 2020: fair value loss of approximately HK\$250,000, equivalent to RMB222,000) was incurred. Upon completion of the redemption, the Company no longer holds any interest in the fund.

- (2) The Group held unlisted exchangeable corporate bonds issued by Supreme Trillion Development Limited, an independent third party. In August 2020, 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). During the Reporting Period, the Group fully recovered the remaining principal and interest income of HK\$1,142,000 (equivalent to RMB962,000) of the above exchangeable bonds.

During the Reporting Period, no interest income was included in other gains as fair value gains (same period of 2020: fair value gain of approximately HK\$36,000, equivalent to RMB30,000).

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 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 31 December 2021, bank balances and cash amounted to approximately RMB240,661,000 (31 December 2020: RMB155,585,000), of which approximately RMB18,341,000 (31 December 2020: RMB139,000) 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 by the Company.

#### *Total current assets and current ratio*

As at 31 December 2021, total current assets and current ratio (total current assets/total current liabilities) were approximately RMB728,627,000 (31 December 2020: RMB743,960,000) and 6.24 (31 December 2020: 6.27), respectively. The decrease in total current assets was primarily attributable to the decrease in receivables during the Reporting Period and the decrease in current ratio was the result of the decrease in current assets although current liabilities basically remained the same.

### *External borrowings and pledge of assets*

As at 31 December 2021, the Group had external borrowings of RMB211,000,000 (31 December 2020: RMB235,400,000), of which RMB211,000,000 was secured by certain machinery at solar power plants with a carrying amount of RMB266,055,000 and the collection rights of future receivables of certain subsidiaries (31 December 2020: RMB235,400,000 was secured by certain machinery at 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 gearing ratio of the Group as at the dates indicated:

	<b>31 December 2021</b>	31 December 2020
	<b>RMB'000</b>	RMB'000
Bank loans	<b>211,000</b>	235,400
Lease liabilities	<b>12,737</b>	11,939
Less: Cash and cash equivalents	<b>(222,320)</b>	(155,446)
Restricted cash	<b>(18,341)</b>	(139)
Net (cash)/debt	<b>(16,924)</b>	91,754
Total equity	<b>1,171,591</b>	1,201,916
Total capital (Net (cash)/debt plus total equity)	<b>1,154,667</b>	1,293,670
Gearing ratio (Net debt/total capital)	<b>N/A</b>	7.1%

As at 31 December 2021, the Group's net debt was negative which was primarily attributable to the repayment of loans and the full or partial recovery of investments in financial assets during the Reporting Period.

The proportion of long-term and short-term debts was 64.4% and 35.6%, respectively (as at 31 December 2020: 89.6% and 10.4%), of which the borrowings of RMB211,000,000 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 external borrowings, which mainly represent bank borrowings for solar power plants, bear interests at rates ranging from 5.39% to 5.63% per annum (same period of 2020: 5.23% to 5.46% per annum). The interest rates applicable to borrowings of solar power plants were charged at the lending rate of the

People's Bank of China for the same period plus 10% to 15%, with risk derived from the changes 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 Rate Risk***

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign 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 Reporting Period, and the impact of foreign currency risk on the Group's operation is minimal.

### ***Investment Commitments***

As at 31 December 2021, the Group had investment commitments of RMB101,600,000 (31 December 2020: 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 by 31 December 2025. Please refer to the announcement of the Company dated 31 December 2021 for details.

### ***Contingent Liabilities***

As at 31 December 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

## **MATERIAL ACQUISITION, INVESTMENT AND DISPOSAL**

### **Material Acquisition and Investment**

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 80 employees as at 31 December 2021 (31 December 2020: 269 employees). Such decrease in the number of employees was primarily due to the downsized expansion of the Group's home photovoltaic business in the second half of the year. 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.

## **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 strives 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 660 mu, park and green space with an area of 250,000 square metres, Guan Hanqing theater and museum with an area of approximately 70,000 square metres and urban protective green belt with an area of 310,000 square metres. The project connects to public and infrastructural facilities such as the municipal road of 4.68 square kilometres, 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 is mainly subject to the supervision and restriction under the following environmental laws and regulations: the Law of the People's Republic of China on Environmental Protection, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on 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. Throughout the Reporting Period, the Group has complied with the relevant laws and regulations on environmental protection that have a material impact on the Group.

We also recognise 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 address 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 2021, please refer to the "Environmental, Social and Governance Report" of the Company to be issued by the end of May 2022.

## **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 2021, 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 2021 (2020: 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 2021 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 2021 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 2021 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](http://www.hkexnews.hk)) and the Company ([www.longitech.hk](http://www.longitech.hk)), and the 2021 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, 29 March 2022

*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.*