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 2016

The board (the "**Board**") of directors (the "**Directors**") of LongiTech Smart Energy Holding Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2015 as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016
(Expressed in Renminbi)

		Year ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Continuing operations			
Revenue	*3(a)*	**607,137**	324,168
Cost of sales	*5*	**(527,324)**	(292,394)
Gross profit		**79,813**	31,774
Other gains-net	*4*	**25,841**	—
Selling and distribution expenses	*5*	**(2,850)**	(948)
Administrative expenses	*5*	**(29,071)**	(9,543)
Profit from operations		**73,733**	21,283

Consolidated Statement of Profit or Loss (Continued)
For the year ended 31 December 2016
(Expressed in Renminbi)

		Year ended 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Finance income		**633**	20
Finance expenses		**(9,662)**	(259)
Finance expenses — net		**(9,029)**	(239)
Profit before income tax		**64,704**	21,044
Income tax expense	*6*	**(12,758)**	(6,446)
Profit for the year from continuing operations		**51,946**	14,598
Discontinued operation			
Loss for the year from discontinued operations		**—**	(1,622)
Profit for the year		**51,946**	12,976
Profit attributable to:			
Owners of the company		**51,456**	12,976
Non-controlling interests		**490**	—
		51,946	12,976
Profit attributable to owners of the Company arises from:			
Continuing operations		**51,456**	14,598
Discontinued operations		**—**	(1,622)
		51,456	12,976

Consolidated Statement of Profit or Loss (Continued)
For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	Year ended 31 December 2016 RMB	2015 RMB
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the year			
Basic earnings per share			
From continuing operations	*7(a)*	**0.0824**	0.0241
From discontinued operations	*7(a)*	**—**	(0.0027)
		0.0824	0.0214
Diluted earnings per share			
From continuing operations	*7(b)*	**0.0824**	0.0240
From discontinued operations	*7(b)*	**—**	(0.0027)
		0.0824	0.0213

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016
(Expressed in Renminbi)

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Profit for the year	**51,946**	12,976
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**2,831**	60
Other comprehensive income for the year, net of tax	**2,831**	60
Total comprehensive income for the year	**54,777**	13,036
Attributable to:		
Owners of the company	**54,287**	13,036
Non-controlling interests	**490**	—
Total comprehensive income for the year	**54,777**	13,036
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	**54,287**	14,658
Discontinued operations	**—**	(1,622)
	54,287	13,036

Consolidated Balance Sheet
As at 31 December 2016
(Expressed in Renminbi)

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Assets			
Non-current assets			
Leasehold land and land use rights		**8,240**	6,331
Property, plant and equipment		**271,826**	13,055
Intangible assets		**24,431**	—
Available-for-sale financial assets		**—**	5,000
Other Long-term assets		**12,878**	—
		317,375	24,386
Current assets			
Inventories		**27,618**	23,559
Trade and other receivables	*8*	**114,424**	57,730
Amount due from customers for contract work		**604,746**	332,661
Available-for-sale financial assets		**3,000**	—
Cash and cash equivalents		**205,037**	158,518
Restricted cash		**296**	251,015
		955,121	823,483
Total assets		**1,272,496**	847,869
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	*9(a)*	**6,002**	4,943
Reserves		**212,257**	23,951
Retained earnings		**88,623**	41,670
Total equity		**306,882**	70,564

Consolidated Balance Sheet (Continued)
As at 31 December 2016
(Expressed in Renminbi)

		As at 31 December	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Liabilities			
Non-current liabilities			
Borrowings		**668,864**	300,000
Deferred government grants		**2,600**	—
Deferred income tax liabilities		**9,856**	—
		681,320	300,000
Current liabilities			
Borrowings		**35,375**	220,000
Receipts in advance		**13,975**	26,131
Trade and other payables	*10*	**210,737**	217,499
Current income tax liabilities		**24,207**	13,675
		284,294	477,305
Total liabilities		**965,614**	777,305
Total equity and liabilities		**1,272,496**	847,869

Notes to the Financial Statements

For the year ended 31 December 2016

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

LongiTech Smart Energy Holding Limited (the "**Company**", formerly known as "**Long Ji Tai He Holding Limited**") was incorporated in the Cayman Islands on 4 January 2011 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, 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 (the "**Group**") are principally engaged in primary land development and public infrastructure construction ("**primary land development business**") and smart energy and solar energy businesses. The Company's parent company is Longevity Investment Holding Limited ("**Longevity**"), and the ultimate owner is Mr. Wei Shaojun ("the **controlling shareholder**").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes 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 under the historical cost conversion, as modified by the revaluation of available-for-sale financial instruments which are carried 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 *Changes in accounting policy and disclosures*

(a) *New and amended standards adapted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Clarification of acceptable methods of depreciation and amortisation — Amendments to IAS 16 and IAS 38
- Annual improvements to IFRSs 2012–2014 cycle
- Disclosure initiative — amendments to IAS 1

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) *New standards and interpretations not yet adopted*

The following new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and change in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

IFRS 15, 'Revenue from contracts with customers'

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements at this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

IFRS 16, 'Leases'

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB20,022,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Continuing operations:		
Primary land development and public infrastructure construction	**522,289**	293,247
Sales of electricity	**28,522**	—
Provision of home photovoltaic system and smart energy cloud platform construction service	**13,102**	—
Sales of doors and windows	**41,270**	28,187
Provision of construction and engineering services	**1,954**	2,734
	607,137	324,168
Discontinued operation:		
Rental income	**—**	44
	607,137	324,212

The Group includes only one customer (2015: one) with whom transactions have exceeded 10% of the Group's revenues which is relating to primary land development and public infrastructure construction. In 2016, revenues from this customer amounted to RMB522,289,000 (2015: RMB293,247,000).

(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 has presented the following two reportable segments.

— Primary land development business; and

— Smart energy and solar energy businesses

Primary land development business refers to the primary land development and public infrastructure construction business.

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

(c) Segment results, assets and liabilities

	Primary land development business RMB'000	Smart energy and solar energy businesses RMB'000	Others RMB'000	Total RMB'000
For the year ended 31 December 2016				
Revenue from external customers	522,289	41,624	43,224	607,137
Reportable segment profit/(loss) after tax	34,952	27,111	(10,117)	51,946
Interest income from bank deposits	507	98	28	633
Interest expense	(868)	(8,794)	—	(9,662)
Depreciation and amortisation	(163)	(9,587)	(3,254)	(13,004)
As at 31 December 2016				
Reportable segment assets	660,723	510,127	223,972	1,394,822
Additions to non-current segment assets during the year	605	296,259	378	297,242
Reportable segment liabilities	606,628	424,955	56,357	1,087,940
For the year ended 31 December 2015				
Revenue from external customers	293,247	—	30,965	324,212
Reportable segment profit/(loss) after tax	20,073	(47)	(7,050)	12,976
Interest income from bank deposits	—	—	20	20
Interest expense	—	—	(260)	(260)
Depreciation and amortisation	(33)	—	(667)	(700)
As at 31 December 2015				
Reportable segment assets	589,828	150,111	122,566	862,505
Additions to non-current segment assets during the year	364	—	421	785
Reportable segment liabilities	571,652	150,163	70,126	791,941

(d) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**607,137**	324,212
Elimination of discontinued operation	**—**	(44)
Consolidated turnover	**607,137**	324,168
Profit		
Reportable segment profit	**51,946**	12,976
Elimination of discontinued operation	**—**	1,622
Consolidated profit for the year from continuing operations	**51,946**	14,598
Assets		
Reportable segment assets	**1,394,822**	862,505
Elimination of inter-segment receivables	**(122,326)**	(14,636)
Consolidated total assets	**1,272,496**	847,869
Liabilities		
Reportable segment liabilities	**1,087,940**	791,941
Elimination of inter-segment payables	**(122,326)**	(14,636)
Consolidated total liabilities	**965,614**	777,305

4 OTHER GAINS-NET

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Bargain purchase gain *(Note 11)*	**25,138**	—
Gains on disposal of property, plant and equipment, net	**14**	—
Government grants	**700**	—
Others	**(11)**	—
	25,841	—

5 EXPENSES BY NATURE

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Subcontract costs	**475,733**	267,467
Raw materials and consumables used	**32,477**	17,138
Employee benefit expense	**18,451**	9,436
Depreciation and amortisation	**13,004**	700
Transportation and travelling expenses	**2,835**	851
Consulting and legal fees	**2,211**	1,171
Auditor's remuneration		
— audit and audit related services	**2,000**	1,100
Rental expenses	**1,990**	1,846
Changes in inventories of finished goods and work in progress	**934**	(4,061)
Others	**9,610**	7,237
	559,245	302,885

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current income tax	**12,758**	6,446
Deferred income tax	**—**	—
	12,758	6,446

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**64,704**	21,044
At applicable income tax rates	**16,176**	5,261
Effect of preferential tax rates	**(1,084)**	—
Bargain purchase gain not subject to tax	**(6,285)**	—
Tax losses for which no deferred income tax asset was recognised	**3,950**	1,155
Others	**1**	30
Tax charge ***(Note)***	**12,758**	6,446

The expiry date of unused tax loss is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Year 2020	**1,155**	—
Year 2021	**3,950**	1,155
	5,015	1,155

Note:

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

The statutory tax rate of entities registered in the PRC for the year end 31 December 2016 is 25% (2015: 25%), except for certain subsidiaries entitled to exemption or preferential rates.

No provision for Hong Kong profit tax was made as the Group's Hong Kong subsidiaries did not earn any income subject to Hong Kong profit tax during the year ended 31 December 2016 (2015: Nil).

7 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year (Note 9(a)(i)).

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Profit from continued operation attributable to owners of the Company	**51,456**	14,598
Loss from discontinued operation attributable to owners of the Company	**—**	(1,622)
	51,456	12,976
Weighted average number of ordinary shares in issue (thousands)	**624,678**	606,740
Basic earnings per share (RMB)		
— Continuing operations	**0.0824**	0.0241
— Discontinued operation	**—**	(0.0027)

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. No dilutive effect on earnings per share for the year ended 31 December 2016 as the Group had no dilutive potential ordinary shares. For the year ended 31 December 2015, the Company had share options. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit from continued operation attributable to owners of the company	**51,456**	14,598
Profit from discontinued operation attributable to owners of the company	**—**	(1,622)
Profit used to determine diluted earnings per share	**51,456**	12,976
Weighted average number of ordinary shares in issue (thousands)	**624,678**	606,740
Effect of deemed issue of shares under the Company's share option scheme for no consideration (thousands)	**—**	1,623
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**624,678**	608,363
Diluted earnings per share (RMB)		
— Continuing operations	**0.0824**	0.0240
— Discontinued operation	**—**	(0.0027)

The number of shares that would have been issued assuming the exercise of the share option less number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration.

8 TRADE AND OTHER RECEIVABLES

(a) Trade and other receivables in the consolidated balance sheet comprise:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**74,204**	37,081
Bills receivables	**710**	—
Prepayments	**25,465**	12,681
Other receivables	**14,045**	7,968
	114,424	57,730

As at 31 December 2016, the Group's future receivable collection right of solar energy business and primary land development business were pledged as securities for the Group's borrowings.

(b) Ageing analysis of trade receivable

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year (inclusive)	**57,726**	21,767
Over 1 year	**16,478**	15,314
	74,204	37,081

Trade receivables are due within 30 to 60 days from the date of billing.

As at 31 December 2016 and 2015, no impairment for doubtful debt was made.

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**57,726**	21,767
Past due but not impaired	**16,478**	15,314
	74,204	37,081

(c) The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
HK$	**1,518**	1,477
RMB	**112,906**	56,253
	114,424	57,730

9 SHARE CAPITAL AND RESERVES

(a) Share capital

(i) *Authorised and issued share capital*

	As at 31 December			
	2016		2015	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000

Ordinary shares, issued and fully paid:

	2016			2015		
	No. of shares	**Amount**	**RMB equivalent**	No. of shares	Amount	RMB equivalent
	'000	***HK$'000***	***RMB'000***	*'000*	*HK$'000*	*RMB'000*
At 1 January	**607,440**	**6,074**	**4,943**	602,000	6,020	4,900
Shares issued for exercise of share options	**—**	**—**	**—**	5,440	54	43
Placing of new shares *(Note)*	**121,000**	**1,210**	**1,059**	—	—	—
At 31 December	**728,440**	**7,284**	**6,002**	607,440	6,074	4,943

Note: On 9 November 2016, 121,000,000 Placing Shares with par value of HK$0.01 each were issued with proceeds of HK$204,012,000 (equivalent to RMB178,449,000), of which HK$1,210,000 (equivalent to RMB1,059,000) and HK$202,802,000 (equivalent to RMB177,391,000) were credited to share capital and share premium account, respectively.

During the year ended 31 December 2015, 5,440,000 share options were exercised by the former directors and employees of the Group under Pre-IPO Share Option Scheme. 5,440,000 ordinary shares with par value of HK$0.01 each were issued at a consideration of HK$3,916,800 (equivalent to RMB3,105,000), of which HK$3,862,400 (equivalent to RMB3,062,000) were credited to the share premium account. Amount previously recognised in the share-based compensation reserve in connection with these exercised share options of RMB3,236,000 was also transferred to the share premium account.

10 TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade payables	**104,206**	18,363
Other payables and accruals	**100,335**	189,672
Taxes payable	**6,196**	9,464
	210,737	217,499

As 31 December 2016, ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date are as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**102,787**	17,884
Over 1 year	**1,419**	479
	104,206	18,363

11 BUSINESS COMBINATIONS

During the year, the Group acquired three solar power plants and one smart energy platform company from third parties.

(a) On 10 March 2016, the Group acquired 100% equity interest in Liangshan Shengxiang Renewable Technology Company Limited (梁山聖翔新能源科技有限公司) ("**Liangshan Shengxiang**") from a third party for a consideration of RMB10,000. The fair value of identifiable net assets in Liangshan Shengxiang on the date of acquisition was RMB1,083,000. The excess of fair value of identifiable net assets over the consideration is credited to other gains — net.

The principal activity of Liangshan Shengxiang is development and operation of solar power plant located in Shandong Province, the PRC, with an aggregate installed capacity of approximately 5 MW.

(b) On 6 April 2016, the Group acquired 100% equity interest in Huaian Jingyang Photovoltaic Technology Company Limited (淮安精陽光伏科技有限公司) ("**Huaian Jingyang**") from a third party for a consideration of RMB7,185,000. The fair value of identifiable net assets in Huaian Jingyang on the date of acquisition was RMB14,290,000. The excess of fair value of identifiable net assets over the consideration is credited to other gains — net.

The principal activity of Huaian Jingyang is development and operation of solar power plant located in Jiangsu Province, the PRC, with an aggregate installed capacity of approximately 5 MW.

(c) On 7 April 2016, the Group acquired 84.58% equity interest in Beijing Zhongneng Hexin Photovoltaic Technology Company Limited (北京中能和信光電技術有限公司) ("**Beijing Zhongneng**") from a third party for a consideration of RMB8,458,000. The fair value of identifiable net assets in Beijing Zhongneng on the date of acquisition was RMB30,052,000. The excess of fair value of identifiable net assets over the consideration is credited to other gains — net. On 31 May 2016, the Group acquired remaining 15.42% equity interest in Beijing Zhongneng from the non-controlling shareholder for a consideration of RMB1,542,000. The Group recognised the difference between the consideration and the additional share of net assets as an increase in other reserves and a decrease in non-controlling interests.

The principal activity of Beijing Zhongneng is development and operation of solar power plant through Zhongneng Hexin Longhua County Solar Power Generation Company Limited (中能和信隆化縣太陽能發電有限責任公司) ("**Hebei Longhua**") located in Hebei Province, the PRC, with an aggregate installed capacity of approximately 20 MW.

(d) On 8 August 2016, the Group acquired 100% equity interest in Hebei Fa Kai Energy development Company limited (河北省發凱能源開發有限責任公司) ("**Fakai Energy development**") from a third party for a consideration of RMB12,820,000. The principal activity of Fakai Energy development includes the development and utilisation of energy, the development and management of energy efficiency projects, and power trade.

	Liangshan Shengxiang	Huaian Jingyang	Beijing Zhongneng	Fakai Energy Development	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Purchase consideration	10	7,185	8,458	12,820	28,473
Recognised amounts of identifiable assets acquired and liabilities assumed					
Cash and bank balances	8,598	7,950	10,627	372	27,547
Property, plant and equipment	31,980	38,353	182,623	7,090	260,046
Other intangible assets	—	—	—	9	9
Inventories	—	—	974	912	1,886
Receivables	8,144	3,613	7,053	645	19,455
Payables	(13,552)	(2,048)	(37,907)	(4,831)	(58,338)
Borrowings	(37,139)	(35,623)	(143,000)	—	(215,762)
Deferred tax liabilities	(310)	(1,830)	(7,517)	(199)	(9,856)
Others	3,362	3,875	17,199	—	24,436
Total identifiable net assets	1,083	14,290	30,052	3,998	49,423
Non-controlling interests	—	—	(4,634)	—	(4,634)
Bargain purchase recognised in the consolidated statement of profit or loss *(Note)*	(1,073)	(7,105)	(16,960)	—	(25,138)
Goodwill recognised in the consolidated balance sheet	—	—	—	8,822	8,822
	10	7,185	8,458	12,820	28,473
Outflow of cash to acquire business, net of cash acquired					
— cash consideration	(10)	(7,185)	(8,458)	(12,820)	(28,473)
— cash and bank deposits in subsidiaries acquired	8,598	7,950	10,627	372	27,547
Cash outflow on acquisition	8,588	765	2,169	(12,448)	(926)

Note: The main reason giving rise to the bargain purchase was the fact that the present value of net cash inflow for the life of the solar power plants acquired exceeded the total consideration paid.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Having officially announced the development of the clean energy business in November 2015, the Group persistently pushed ahead with the transformation and strategic upgrade of its businesses in 2016, for the objective of becoming a leading operator of smart energy cloud platforms in the People's Republic of China (the "**PRC**"). In 2016, through adjusting and enhancing its organizational structure and collaborating with external professional firms, the Group completed the construction and optimization of the systems for the LongiTech Smart Energy Cloud Platform (the "**Cloud Platform**"), a comprehensive operation platform of smart energy solutions. Meanwhile, the Group worked on the strategic layout for the customers of its smart energy and solar energy businesses, established industrial and commercial demonstration zones for smart energy solutions, and actively promoted the construction of data sub-systems for energy consumption customers. All these have laid a sound foundation for the Group's future business development.

The Group's principal business activities consist of (1) the smart energy and solar energy businesses, and (2) the primary land development and public infrastructure construction business (the "**Primary Land Development Business**"). In particular, the smart energy and solar energy businesses, being the Group's principal businesses, have been generating revenue and profit for the Group during 2016.

For the Reporting Period, the Group's annual revenue was RMB607,137,000 (2015: RMB324,168,000), while profit attributable to owners of the Company was RMB51,456,000 (2015: RMB12,976,000), representing an increase of 87.3% and 296.5% respectively, when compared to the same period of the previous year.

Business Review

Smart Energy and Solar Energy Businesses

Smart Energy Business

Against the market backdrop and in the context of the State's vigorous promotion of "Internet +" smart energy and reform in the area of energy consumption, the combination of energy and the internet for smart energy applications show enormous market potential and business opportunities. Adapting to the developments in the industry and in the market, the Group is determined to develop the Cloud Platform, a comprehensive operation platform of smart energy solutions integrating energy systems and internet technology, and to achieve the automation and datamation of the entire energy usage process covering energy data collection, energy utilization monitoring, energy consumption analysis, energy consumption management, etc. Meanwhile, by gathering energy consumers and conducting analysis of energy big data, the Cloud Platform is able to provide energy consumers with an all-rounded smart energy service, including energy monitoring, power trade, smart operation and maintenance, energy conservation improvement and distributed energy, thus offering energy consumers the last-mile smart services and making the Group one of the most sophisticated domestic operators of smart energy cloud platforms.

To ensure the accomplishment of the targets set out above, the Group actively explored the smart energy business and made fruitful attempts in this area during the year of 2016. In terms of the structure, the Group arranged the smart energy business into (1) back-end information technology support and (2) front-end business development. With data analysis and insights as the core, the Group managed to build up a base of energy consumers quickly and get its online to offline (the "**O2O**") business model off the ground.

In respect of its back-end information technology support, during the Reporting Period, the Group actively brought in external professional talents, stepped up its efforts at research and development and cooperated with IBM (China) Company Limited in developing and upgrading the Cloud Platform and establishing energy big data center. Such big data center for the Cloud Platform will become the core supporting development of the Group's smart energy services and the asset-light business model with data and knowledge. Currently, the big data center for the Cloud Platform is capable of accessing the energy data of 100,000 corporate customers in real time. Meanwhile, based upon multi-application modules, the Cloud Platform has the ability of multi-source data cognition, insight and prediction. As a result, it can provide customers with more scientific and accurate prediction results, and further explore customers' demand for energy. The Company is continuously developing advanced application modules, including intelligent diagnosis of power transmission and distribution and energy application services based on blockchain, so as to consistently provide quality energy management services for the contracted customers of energy consumption of the Company.

In respect of its front-end business development, during the Reporting Period, the Group has established smart energy industrial and commercial parks as demonstration projects, represented by Lightway's plants and Baigou mall. Meanwhile, in August 2016, the Group acquired a company held by Hebei Province Power Demand Side Management and Instruction Centre (河北省電力需求側管理指導中心), namely Hebei Fakai Energy Development Co., Ltd. (河北省發凱能源開發有限責任公司) ("**Fakai Energy Development**"), and its two subsidiaries namely Hebei Fakai Scientific Power Consumption Services Co., Ltd. (河北省發凱科學用電服務有限責任公司) ("**Fakai Scientific Power Consumption Services Company**") and Hebei Fakai Energy Monitoring Services Co., Ltd. (河北省發凱能源監測服務有限責任公司) ("**Fakai Energy Monitoring Services Company**") (the three aforementioned companies are collectively referred to as the "**Hebei Energy Management Platform Companies**"). Hebei Energy Management Platform Companies were previously indirectly owned by Hebei Development and Reform Commission, specializing in energy management, energy monitoring, and the verification and certification of energy saving, having accumulated extensive practical experience in areas such as energy consumption management, energy monitoring and the verification of energy saving, and having built a professional team. After acquiring Hebei Energy Management Platform Companies, the Group leveraged the wealth of resources in its disposal in Hebei Province and the experience and capabilities of Hebei Energy Management Platform Companies in the rapid promotion of constructing data sub-systems for the Cloud Platform. As of the date of this announcement, 916 energy consumption corporate customers had entered into contracts with the Group, and were entitled to use such services, of which 169 corporate customers whose energy data can be accessed via the Cloud Platform in real time. Meanwhile, the Group actively took part in the electricity sales business in Hebei Province. On 6 February 2017, Fakai Energy Development obtained the qualification for selling electricity.

Solar Energy Business

In respect of its solar energy business, during the Reporting Period, the Group, by means of acquisitions, held three solar power stations, which were fully connected to the power grids, namely Hebei Longhua (Ground power station), Liangshan Shengxiang (Distributed), Huaian Jingyang (Distributed) with a total of 30 MW installed capacity.

For the operation model of the solar power stations, the Group engaged in the development and construction of solar power stations, and provision of relevant consultation management services mainly through self-direction and co-development model. Solar power stations were mainly sold upon completion. In respect of the strategic layout for the solar energy business, taking into account the continuous decline in the national subsidy for ground power stations and the advantage of distributed power stations in generating power that is consumed nearby and in receiving a stable subsidy, the Group shifted its business focus from large-scale ground power stations to distributed power stations so as to better cope with market changes, while achieving synergistic development of its solar energy business along with its smart energy business.

At the same time, in view of market conditions, the Group launched a home photovoltaic system developed for household users (the "**home photovoltaic system**") at the end of the year 2016. The power generated by the home photovoltaic system could meet the daily power demand of the household users while returning any residual power to the power grids. The Group sold solar power integrating systems such as solar panels, inverters and frames to agents, who would then sell these solar power station systems to ultimate household users. The Group had sold approximately 2MW of home photovoltaic system in the year 2016. The development of the home photovoltaic system will bring new growth opportunities and profit-making points to the Group.

During the Reporting Period, the smart energy and solar energy businesses generated a revenue of RMB41,624,000 (2015: Nil) for the Group, while the profit attributable to owners of the Company was RMB27,111,000 (2015: a loss of RMB47,000).

Primary Land Development Business

The Primary Land Development Business refers to the primary land development and the public infrastructure construction businesses of the Baoding Donghu project (the "**Boading Donghu Project**"). During the Reporting Period, the Baoding Donghu Project generated a revenue of approximately RMB522,289,000 (2015: RMB293,247,000) and the profit attributable to owners of the Company of approximately RMB34,952,000 (2015: RMB20,073,000). Since the smart energy and solar energy businesses will become the principal business activities of the Group, there is no future plan to further expand the Primary Land Development Business after the completion of the Baoding Donghu Project.

Market Outlook

World energy structure is undergoing a significant adjustment today and efforts for tackling climatic changes has entered a new phase. A new round of energy revolution is emerging. The "13th Five-Year Plan" undertaken by China since 2016 revolves around the 5 development ideals of "Innovation, Coordination, Green, Openness and Sharing". In energy industry, clean energy will be strongly developed and "Internet+" action plan will be executed, guiding and facilitating China's energy consumption revolution and energy management system reforms. Concurrently, coordinated development for the Beijing-Tianjin-Hebei region is established as one of China's national development strategies. Facing acute problems such as continual degradation of ecological environment of Beijing-Tianjin-Hebei region and urban system development imbalance, reducing emission of pollutants in the region become a prime mission for the government of the PRC.

On the dimension of policies, in 2016, national ministries and commissions such as National Development and Reform Commission and National Energy Administration in succession put forward the "Thirteenth Five-Year Plan of Energy Development", "Thirteenth Five-Year Plan of Renewable Energy Development", "Thirteenth Five-Year Plan of Solar Energy Development", "Thirteenth Five-Year Plan of Electric Power Development", "Several Opinions on Further Deepening the Reform of the Electric Power System", "Guiding Opinions on Facilitating "Internet +" Smart Energy Development", etc, facilitate deepening reforms of China energy industry and electric power system. Based on the above policies, by 2020, energy consumption per ten thousand Renminbi gross domestic product will fall by 15% compared with 2015. Total energy consumption will be controlled within 5 billion tonnes of standard coal. In the field of production of clean energy represented by photovoltaic power, it is expected by the end of 2020, installed capacity of China's solar energy will reach 110 GW, including installed capacity of photovoltaic generation of 105 GW, among which installed capacity of ground photovoltaic plants will reach 45 GW, installed capacity of distributed photovoltaic plants will reach more than 60 GW. Distributed photovoltaic power will become dominant.

With regard to the electricity distribution and sale reform, in October 2016, in view of the implementation of "Several Opinions of the CPC Central Committee and the State Council on Further Deepening the Reform of the Electric Power System" (Zhong Fa [2015] No. 9) and adhering to the spirit enshrined under the supporting documents of electric power system reform with a view to opening up the business of distribution and sale of electricity to social capital in an orderly manner, the National Development and Reform Commission and National Energy Administration formulated and promulgated the "Management Measures for the Entry and Exit of Companies Selling Electricity" and "Management Measures for Orderly Relaxing the Control over the Power Distribution Network Business". The announcement of these two management measures will fundamentally facilitate reform process of electric power, symbolizing the entry of China's electricity sale market into a concrete development phase after opening up to the society. China's electricity sale market will reach a scale of over one trillion Renminbi.

In energy conservation and emission reduction, according to 2015 the whole society electricity consumption data released by the National Energy Administration, annual energy consumption of all heavy industry enterprises of China is approximately 3 trillion kilowatt hour ("**kWh**"). If heavy industry enterprises are included in the scope of monitoring, through applying smart energy functions, an energy-saving rate of above 10% can be realized simply through measures such as energy-saving management, energy-saving by technological improvement and load control. Approximately at least 300 billion kWh of electricity can be saved each year, equivalent to approximately saving above 100 million tonnes of standard coal, and reducing approximately 270 million tonnes of carbon dioxide, approximately 8 million tonnes of sulphur dioxide, approximately 72 million tonnes of nitrogen oxide and approximately 4 million tonnes of dust. Hence, activating smart energy application is of importance with respect to deepening energy conservation and emission reduction, enhancing energy use efficiency, improving atmospheric environment's quality, lowering enterprise energy consumption cost and forming new economic growth points of new industries.

Our Strategy

Looking ahead of the year 2017, facing numerous market opportunities induced by transformation of industries such as energy and the internet, the Group will exert efforts in both power generation and power use and commit itself to becoming a leading smart energy cloud platform operator in the PRC. On the side of power generation, we will actively transform into distributed photovoltaic plants and focus on areas such as Beijing-Tianjin-Hebei, Shandong and Jiangsu. We will undertake investment, development and construction of distributed photovoltaic power stations in industries with large rooftop area such as logistics commerce and manufacturing processing. On the side of power use, the Group will continue to focus on Beijing-Tianjin-Hebei region. We will advance the promotion and construction of data sub-systems for major enterprises in Hebei Province and continue to expand and accumulate energy consumption customers. We will undertake big data collection and analysis, deeply identifying customers' needs. Concurrently, according to the direction of energy sale policy of both the PRC and Hebei Province, we will advance energy sale business in an orderly manner and actively engage in Hebei Province's power trade. In the field of intelligent operation, the Group will develop operational and technical standards of intelligent operation businesses and intelligent operation professional teams. We plan to develop intelligent operation demonstration industrial parks in Hebei Province and establish a preliminary business scale in intelligent operation. By virtue of O2O business combination, we provide customers with a service portfolio combining power sale, intelligent operation, energy monitoring and distributed energy supply. We aim to establish competitive advantages of the Group in smart energy and make our contribution to national and local socio-economic development and environmental protection.

Financial Review

Revenue and Gross Profit

The Group's revenue and gross profit for the Reporting Period amounted to RMB607,137,000 (2015: RMB324,168,000) and RMB79,813,000 (2015: RMB31,774,000), respectively. For the Reporting Period, revenue from the smart energy and solar energy businesses was RMB41,624,000 (2015: Nil), revenue from the Primary Land Development Business was approximately RMB522,289,000 (2015: RMB293,247,000), while revenue from other businesses was approximately RMB43,224,000 (2015:

RMB30,965,000). The increases in revenue and gross profit were mainly attributable to (1) the growth in the revenue and profit from the smart energy and solar energy businesses of the Group, and (2) the contribution from the Baoding Donghu Project of the Group's Primary Land Development Business.

Selling and distribution expenses

Selling and distribution expenses incurred by the Group for the Reporting Period was RMB2,850,000 (2015: RMB948,000), representing an increase of 200.6% in 2016 compared to the previous year, mainly due to the increase in marketing expenses for the smart energy business.

Administrative expenses

Administrative expenses incurred by the Group for the Reporting Period was RMB29,071,000 (2015: RMB9,543,000), representing an increase of 204.6% in 2016 compared to the previous year, mainly due to an increase in the operating costs of the smart energy and solar energy businesses.

Finance expenses — net

Net finance costs for the Reporting Period amounted to RMB9,029,000 (2015: RMB239,000), representing an increase of 3,677.8% compared to the previous year, mainly due to the borrowing costs arising from the acquisition of solar power stations in March and April 2016.

Income tax

Income tax expenses for the Reporting Period were RMB12,758,000 (2015: RMB6,446,000), representing an increase of 97.9% compared to the previous year, mainly due to the income tax of the Baoding Donghu Project.

Liquidity, financial and capital resources

Cash position

As at 31 December 2016, bank balances and cash were approximately RMB205,333,000 (31 December 2015: RMB409,533,000), of which approximately RMB296,000 (31 December 2015: RMB251,015,000) were restricted bank balances and cash (only available for payment of expenses incurred by the Donghu Project). Such decrease was mainly due to the fact that the construction fee for the Baoding Donghu project caused a drop in restricted cash.

Total current assets and liquidity ratio

As at 31 December 2016, total current assets and liquidity ratio (total current assets/total current liabilities) were approximately RMB955,121,000 (31 December 2015: RMB823,483,000) and 3.36 (31 December 2015: 1.73) respectively. The increase in total current assets was primarily due to the increase in receivables for construction work, while the increase in liquidity ratio was due to a net decrease in the repayment of short-term borrowings by RMB184,625,000 in 2016.

External borrowings and pledge of assets

As at 31 December 2016, the Group had an external borrowing of RMB704,239,000 (31 December 2015: RMB520,000,000).

Gearing Ratio

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Bank loans	**704,239**	520,000
Less: Cash and cash equivalents	**(205,037)**	(158,518)
Restricted cash	**(296)**	(251,015)
Net debt	**498,906**	110,467
Total equity	**306,882**	70,564
Total capital (Net debt plus total equity)	**805,788**	181,031
Gearing ratio (Net debt/total capital)	**61.92%**	61.02%

As at 31 December 2016, the gearing ratio of the Group was 61.92%, which remained flat in general as compared to 61.02% of 2015. The debts of the Group mainly consist of long-term debts, representing 94.98% (31 December 2015: 57.69%) of total debts. In particular, the borrowings for solar power stations amounting to RMB208,600,000 were repaid progressively with the proceeds from the sale of electricity, while the borrowings for the Donghu Project amounting to RMB495,639,000 will be repaid progressively by the project settlements received from the Baoding government starting from 2017 onwards. Therefore, the Group is not exposed to any significant insolvency risk.

Interest rate risk

The Group's interest rate risk arises primarily from its external borrowings. During the Reporting Period, interest rates of external borrowings ranged from 5.39% to 7.50% per annum (2015: 10.80% to 14.46% per annum). In particular, the interests on the borrowings incurred by the Donghu Project were borne by the government, resulting in no exposure to any interest rate risk thereon. The interest rate applicable to the borrowings for solar power stations was 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 exchange rate policies. Nevertheless, the Group expects that the interest rate risk would have no material impact on the Group's consolidated profit or loss.

Exchange risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the 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 in 2016 and the impact of foreign currency risk on the Group's operation is minimal.

Capital commitments

The Group had capital commitments amounting to approximately RMB24,331,000 as at 31 December 2016 (31 December 2015: Nil).

Contingent liabilities

As at 31 December 2016, the Group did not have any material contingent liabilities (31 December 2015: Nil).

RELIANCE ON KEY CUSTOMERS

For the Reporting Period, revenue from the Baoding Donghu Project amounted to approximately RMB522,289,000 (2015: RMB293,247,000), representing approximately 86.0% of the Group's revenue (2015: 90.5%). As the revenue from the Baoding Donghu Project mainly came from the People's Government of Baoding, the primary key customer of the Group is the People's Government of Baoding. The project settlements for the Baoding Donghu Project mainly consist of funds financed by the government of Baoding. With the guaranteed funding from the government, no risk arises for the Group. For the Reporting Period, the Group received project settlements from the government amounting to approximately RMB304,619,000 (2015: Nil). Meanwhile, the Group is actively promoting its smart energy and solar energy businesses. For the Reporting Period, smart energy and solar energy businesses achieved revenue of approximately RMB41,624,000 (2015: Nil). The smart energy and solar energy businesses are expected to gradually account for an increasing share of the Group's revenue and become the Group's principal activities.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 6 April 2016, the Company's indirect wholly-owned subsidiary, Shijiazhuang Xiangguang New Energy Company Limited (石家莊祥光新能源科技有限公司) as purchaser, entered into an equity transfer agreement with Hebei Dingrui Construction and Decoration Company Limited (河北鼎瑞建築裝飾有限公司) as vendor for the acquisition of 100% equity interests in Huaian Jingyang Photovoltaic

Technology Company Limited (淮安精陽光伏科技有限公司) ("**Huaian Jingyang**"). The consideration for the acquisition was RMB7,185,000 determined based on, *inter alia*, the audited net asset value of Huaian Jingyang as at 31 December 2015 and the future income of the project after arm's length negotiations. Huaian Jingyang developed the distributed photovoltaic power stations project with an installed capacity of 5MW. The project has been connected to the power grids.

On 7 April 2016, the Company's indirect wholly-owned subsidiary, Baoding Xuguang New Energy Company Limited (保定旭光新能源有限責任公司) as purchaser entered into an equity transfer agreement with Mr. Du Yizhong (杜義忠) and Ms. Song Qiaofeng (宋巧鳳) as vendors for the acquisition of 84.58% equity interests in Beijing Zhongneng Hexin Photovoltaic Technology Company Limited (北京中能和信光電技術有限公司) ("**Beijing Zhongneng**"). The consideration was at RMB8,458,000 determined based on, *inter alia*, the audited net asset value of Beijing Zhongneng as at 31 December 2015 and the future income of the project after arm's length negotiations. Beijing Zhongneng developed the approved photovoltaic power stations project with 20 MW installed capacity through Zhongneng Hexin Longhua County Solar Power Generation Company Limited (中能和信隆化縣太陽能發電有限責任公司) ("**Hebei Longhua**"). The project has been connected to the power grids.

For details, please refer to the announcement of the Company dated 7 April 2016. Save for the above disclosure, during the Reporting Period, there was no other significant investment, material acquisition and disposal.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 245 employees as at 31 December 2016 (2015: 95 employees). The increase in the number of employees was due to the expansion of the smart energy business. Employees were remunerated according to the nature of their positions, individual qualification, performance, experience and market trends, and subject to periodic reviews based on their performance. Meanwhile, to attract and retain high-caliber employees to ensure smooth operation and cater for the Group's constant expansion, the Group offers competitive remuneration and benefit packages to employees at different levels, including discretionary bonuses, various training programmes, sponsorship for further study and share option scheme for the benefit of the directors and eligible employees of the Group.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

With smart energy and solar energy businesses as its principal business activities, the Group is committed to environmental protection and mitigating the impact of its operations on the environment. During the Reporting Period, the Group has complied with the requirements of the relevant laws and regulations that have a significant impact on the Group's operations.

In the course of developing its smart energy, solar power station and Primary Land Development Business, the Group should comply with the requirements and restrictions under the environmental laws and regulations, in particular, the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), the Law of the People's Republic of China on the

Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法), the Law of the People's Republic of China on Appraising of Environment Impacts (中華人民共和國環境影響評價法) and the Regulations on the Administration of Environmental Protection of Construction Projects (建設項目環境保護管理條例). The Group affirms the importance of complying with the laws and regulations on environmental protection. During the Reporting Period, the Group has complied with the relevant laws and regulations on environmental protection that are of importance to the Group.

We also recognize the importance of maintaining mutually beneficial relationships with our stakeholders, namely our employees, customers and suppliers and local communities whose support is vital to our Group's sustainable development. We pay close attention to the needs of all stakeholders, deliver solutions addressing their needs and we continuously interact with our stakeholders in way that is conducive to sustainable growth in our Company, our industry and our communities.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group operates its businesses mainly in Mainland China. The development and operation of the Group's smart energy and solar energy businesses in China are regulated by the local laws and regulations on renewable energy and the provision and sale of electricity, as well as various policies and industry guidance catalogs issued by the 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.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with the code provisions of the Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for the Reporting Period, and, where appropriate, adopted the recommended best practices as set out in the CG Code in Appendix 14 of the Listing Rules.

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 2016, 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 final dividend for the year ended 31 December 2016 (2015: Nil).

THE 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 2016 together with the management of the Company.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The financial figures in respect of Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been compared by the Group's auditor, PricewaterhouseCoopers, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year of 2016. The work performed by PricewaterhouseCoopers 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 the auditor on the preliminary announcement.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2016 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 2016 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 Shaojun
Chairman

Hong Kong, 22 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Wei Shaojun, Mr. Wei Qiang, Mr. Li Haichao and Ms. Zhen Xiaojing and the independent non-executive directors of the Company are Mr. Han Qinchun, Mr. Wong Yik Chung John and Mr. Han Xiaoping.