LongShine Technology Group Co., Ltd.

Semi-Annual Report 2021 (Summary)

August, 2021

I. Key Accounting Data and Financial Indicators

I.   Key Accounting Data and Financial Indicators in Recent Three Years:

	Current reporting period	The same period of previous year	Increase/decrease of current year over Previous year
Revenue (RMB)	1,307,227,711.63	858,014,237.68	52.36%
Net profit attributable to shareholders of listed company (RMB)	118,348,573.50	81,568,443.17	45.09%
Net profit attributable to shareholders of listed company excluding non-recurring gains and losses (RMB)	87,936,980.21	86,891,073.57	1.20%
Net cash flows from operating activities (RMB)	-369,798,936.97	-382,319,132.76	3.27%
Basic EPS (RMB Yuan/share)	0.1158	0.0854	35.60%
Diluted EPS (RMB Yuan/share)	0.1149	0.0846	35.82%
Weighted average ROE	2.14%	1.72%	0.42%
	As at the end of the reporting period	As at the end of last year	Increase/decrease of current year over Previous year
Total assets (RMB)	7,358,978,055.27	7,738,673,953.42	-4.91%
Net assets attributable to shareholders of listed company (RMB)	5,385,299,048.09	5,535,383,023.37	-2.71%

During this reporting period, the revenue of LongShine Technology Group Co., Ltd. reached 1.307 billion yuan with an increase of 52.36% over the same period of last year; the net profit attributable to shareholders of listed company was 118 million yuan with an increase of 45.09% over the same period of last year; and the net profit attributable to shareholders of listed company excluding non-recurring gains and losses reached 88 million yuan with a year-on-year growth of 1.2%, because share-based compensation expenses was 53 million yuan which was 37 million higher than the same period of last year, **net profit after deducting non-recurring profits and share-based compensation expenses was 141 million yuan with a year-on-year growth of 34%**.

II. Main business review of the company

1. Macro environment and policy background of the company's development

At the General Debate of the 75th Session of The United Nations General Assembly on September 22, 2020, President Xi Jinping stated that: "China will scale up its Intended Nationally Determined Contributions by adopting more vigorous policies and measures. **We aim to have carbon dioxide emission peak before 2030 and achieve carbon neutrality before 2060."** To peak carbon dioxide emissions and achieve carbon neutrality is an extensive and profound systemic reform for the economy and society, and will become a key indicator guiding national economic and social development in the coming decades.

The EU had achieved peak carbon dioxide emissions as early as 1979 and the USA had also achieved such goal in 2007, while China's carbon dioxide emissions are still continuing to rise because China is still in the stage of rapid economic development.
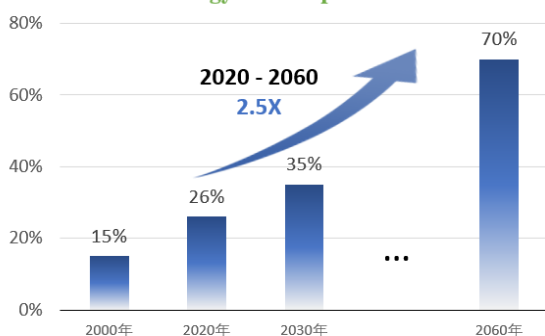
Compared with the transitional period of 50-70 years from peak carbon dioxide emissions to carbon neutrality in American and European countries, the transitional period implied in China carbon neutrality goal is only 30 years. Therefore, the task of reducing carbon emissions in the future is arduous, and carbon emission governance is urgent. The "14th Five-Year Plan" is a critical period and gap period for achieving peak carbon dioxide emissions. The government will continue to vigorously promote various energy conservation and emission reduction work.

The main battlefield of carbon emission reduction is energy industry, and the power grid is the key hub to promote energy transformation and realize the national "double carbon" strategy. President Xi Jinping proposed that the country will build a **new electric system based on new energy**, which points out the direction for the development of power grid enterprises. State Grid and China Southern Power Grid, as state-owned key backbone enterprises concerning the national energy security and the lifeline of national economy, assume the major responsibility of connecting energy supply and energy demand. They have successively released the action plan for "peak carbon dioxide emissions and carbon neutrality", clarifying the key tasks as follows:

1) In the energy supply side, building a diversified clean energy supply system. At present, 68% of the generating capacity in the electric system comes from coal-fired power generation, which generates the carbon dioxide emissions accounting for 40% of the national carbon dioxide emissions. With the continuous investment in non-fossil energy such as photovoltaic and wind power, the current penetration rate of electricity generated from non-fossil energy of about 31% will need to be close to 50% by 2030 and over 95% by 2060. This evolution has a great impact on China's power generation system. Non-fossil energy will become the main source of power supply while becoming the primary energy supply subject. The power system will show the characteristics of deep low-carbon, and distributed generation and micro-grid will become powerful supplements to the existing energy supply system.

2) In the energy consumption side, comprehensively promoting the electrification and energy saving. In 2020, the whole society's electricity consumption reached 7.5 trillion kWh, and the proportion of electric energy consumption in the end-use energy consumption reached 26%. With the acceleration of decarbonization in various industries, **the proportion of electric energy consumption in the end-use energy consumption is expected to reach about 35% and 70% in 2030 and 2060 respectively**. It can be predicted that **electrification in the field of energy consumption will become the key to achieve the "double carbon" goal, and the energy Internet with open interconnection, multi-source coordination, multi-energy complement and deep coupling of energy and digitization will be the main characteristics of the new electric system in the future.**

Proportion of China's electric energy consumption in the end-use energy consumption

2020 - 2060
2.5X

15% (2000年), 26% (2020年), 35% (2030年), 70% (2060年)

Clean electric energy has become the most important form of energy utilization

Transportation: Electric vehicle substitution
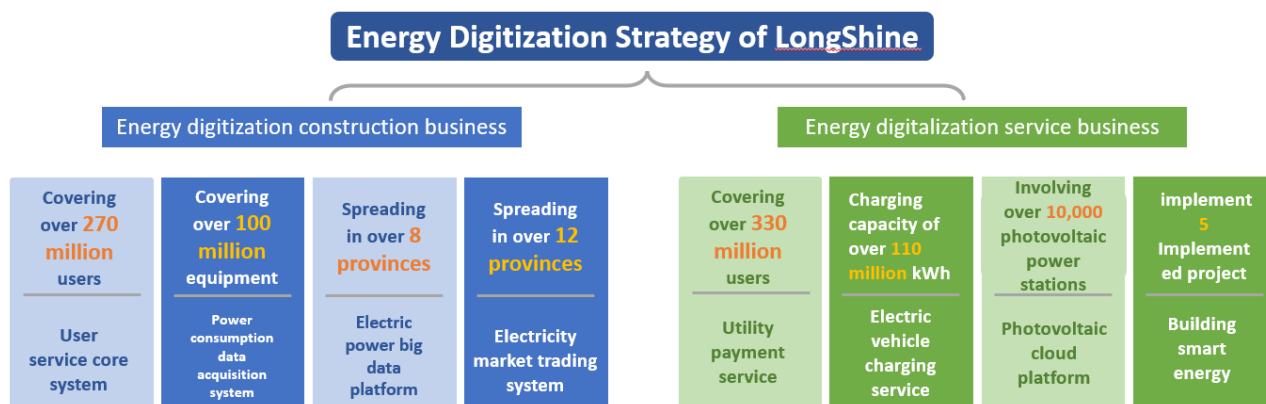
Industry: Green intelligent manufacturing

Construction: Zero-carbon building

Data source: Research Report on China's Carbon Neutrality by 2060 -- Global Energy Interconnection Development and Cooperation Organization

2. Main business of the company

LongShine is a leading enterprise engaging in energy digitization. It has been serving the field of electrical energy consumption, and focuses on the development strategy of energy digitization by B2B2C business model. On the one hand, LongShine assists customers such as the State Grid, China Southern Power Grid, Gas Group, and photovoltaic power stations in achieving digital upgrading through software, application and technology services, helping the construction of new electric system and the innovation and upgrading of the energy internet; on the other hand, LongShine carries out operation services in depth through

the construction of its own energy service platform, and joins hands with strategic partners to provide end-users with new scenarios of multiple energy services through flux portals such as Alipay, UnionPay, and City Super APP, in order to assist end-users access to house energy service, electric vehicle charging, energy efficiency management and other services, and promote the electrification of end-use energy consumption.

Energy Digitization Strategy of LongShine

Energy digitization construction business

Covering over **270 million** users	Covering over **100 million** equipment	Spreading in over **8** provinces	Spreading in over **12** provinces
User service core system	Power consumption data acquisition system	Electric power big data platform	Electricity market trading system

Energy digitalization service business

Covering over **330 million** users	Charging capacity of over **110 million** kWh	Involving over **10,000** photovoltaic power stations	implement **5** Implemented project
Utility payment service	Electric vehicle charging service	Photovoltaic cloud platform	Building smart energy

1) Energy digitization construction business: assisting in the construction of new electric system and the innovation and upgrading of the energy Internet

LongShine has been providing services in energy industry for over 20 years. In the electric power industry, LongShine is the core electricity service system and solution provider for large-scale companies, including State Grid and China Southern Power Grid. Generally, the customers of LongShine spread in 22 provinces of China, amounting to 270 million electric power end-users in total; LongShine has been actively expanding its business in new energy services, providing charging point cloud platforms and new energy operational platforms for the industry. And in the gas industry, LongShine provides information-based services for core business systems of large-scale gas companies, such as China Resources Gas and China Gas. With the excellent technology and high-quality services, LongShine has established solid and continuously leading advantages and position in the energy field.

In the electric power and energy industries, LongShine vigorously promotes digital transformation and the construction of the energy Internet, providing customers in the electric power and energy industries with assistance in taking measures inside the companies to reduce costs and increase efficiency, and keeping innovating and improving service quality externally. With the building of a new electric system based on new energy, LongShine spares no efforts in seizing the industrial opportunity and further expanding its development, based on which, rapid rising tendency can be seen on its relative businesses. (1) LongShine continues to explore the core business system in the field of power consumption service and increase investment in research and development and solutions. It is fully participating in the development and construction of new-generation energy Internet electricity service system of State Grid; (2) In terms of energy Internet application, LongShine actively expands new businesses. It has formed a series of mature solutions and information-based platform support in typical businesses such as operation of electric vehicle charging points, integrated energy services, and market-based electricity sales, and carries out extensive business operation services; (3) In the field of digital new infrastructure, LongShine actively participates in the R&D and implementation of key projects in the fields of big data applications, IoT-based collection platforms and applications and cloud computing platforms and applications with the focus on industry hotspots, and has researched and developed end-to-end big data solutions for energy, which have supported the innovative applications of energy big data in many provinces at present.

In gas industry, LongShine provides mature solutions and information-based supporting platforms by closely seizing the opportunities of the rapid development of urban gas. The user service information system independently developed by LongShine covers all key businesses such as market development, business handling, meter reading and billing, charging, security inspection and maintenance, value-added services, supervision and control, and call center, serving 270 urban gas companies affiliated to China Resources Gas, over 400 urban gas companies affiliated to China Gas, and a series of other large/medium-sized urban gas companies such as Towngas, Shenyang Gas, Shanxi Jincheng Anthracite Coal Mining Group, and Zhejiang Energy Group, etc.

During the reporting period, LongShine Technology Group Co., Ltd. achieved a total of 404 million yuan revenue from

energy digitization construction business with a year-on-year growth of 50.27%.

2) Energy digitization service business: energy as a service (EaaS), and promoting the electrification of end-user energy consumption

In the field of residential energy services, (1) Since 2013, LongShine has cooperated with Alipay and other traffic portals to construct the Internet utilities payment scenario, through the construction of its own energy Internet service platform, providing residents with online services of "inquiry, payment, account statement and bill" of public utilities such as water, electricity, gas and heating public utilities. Up to now, the platform has become the largest online utility payment platform in China, which covering over 400 cities across the country. It has provided professional and convenient Internet utility payment service for over 5,100 public utility agencies and over 330 million household users, and has over 12 million active users on the platform every day. (2) Electric energy substitution in the field of transportation and travel is critical to achieving the electrification of end-user energy consumption. The promotion of electric vehicles is particularly important. Charging points, as the basic supporting facilities for the popularization of electric vehicles, have achieved obvious rapid development in recent years. LongShine builds a third-party aggregate charging service platform, aggregates vehicle/point networks by virtue of interconnection technology, and forms an aggregate charging service portal through "Alipay/AutoNavi Maps/City Super APP" with hundreds of millions of active users, providing new energy vehicle owners with charging services featured with close distance, low price, fast charging, and good experience. As of the end of the second quarter of 2021, the platform has accumulatively involved over 300 charging operators, achieving interconnection with the platforms of leading operators such as State Grid, China Southern Power Grid, Star Charge, and Yunkuaichong. It involves over 200,000 charging points in operation, providing charging services for over 1.05 million new energy vehicle owners, and providing nearly 110 million kWh of aggregate charging in the first half of 2021.

In the field of enterprise energy services, (1) LongShine's "Photovoltaic Cloud Platform" supported by energy IoT-based technology escorts more efficient power generation by many distributed photovoltaic power stations. Relying on comprehensive monitoring, intelligent alarming, AI fault diagnosis, big data analysis, refined operation and maintenance and other core capabilities, the platform improves the power generation efficiency of the power stations by digital and intelligent means, achieving the low-cost operation and management goal of "unmanned duty and few people on duty", and finally achieving the maximum benefit of photovoltaic power stations. Since the construction and operation of the "Photovoltaic Cloud Platform" in 2015, the scale of distributed photovoltaic power stations in China which the platform involves has been among the best in the country. At present, it has involved over 10,000 photovoltaic power stations of various types, with the installed capacity of nearly 10GW, the cumulative green generating capacity of 13.979 billion kWh, and accumulated carbon dioxide emissions decreasing by 15,181,300 tons, which has effectively contributed to the low-carbon and green development of society. (2) Supported by energy IoT-based and big data analysis technology, LongShine provides comprehensive energy services such as building energy management and power energy center operation control through the BSE smart energy-saving system upon integrated R&D, and helps enterprises improve the power consumption efficiency and reduce the input of operation and maintenance personnel by such technical means as intelligent management, control and optimization, so as to achieve energy saving and consumption reduction. At present, LongShine has provided one-stop comprehensive energy services integrating online and offline conditions such as energy consumption monitoring, energy saving diagnosis and energy saving control for hospitals, enterprises, parks and other public buildings, with the average energy-saving efficiency of over 15%. LongShine reduces the enterprise operating costs and improves energy utilization efficiency by means of digital energy saving, effectively reducing corporate carbon emissions.

During the reporting period, LongShine Technology Group Co., Ltd. achieved energy digitization service revenue of 267 million yuan, which shows a year-on-year growth of about 28.7%.

3) OTT platform business:

LongShine has entered mutually-trusted and win-win partnership with the operator of China Mobile, Licensee of NewTV, and local radio and television administration, to co-serve the Internet TV users. LongShine is dedicated in guaranteeing normal program

watching of household users, presenting rich Internet TV contents to household users in a smooth, stable, and high-quality manner, and obtaining service revenue according to user activity. The company has worked with operators and licensees to provide household users with value-added services besides basic program watching service, such as paid films and television programs, music, education, medical care programs, etc.

The hardware business is mainly about the OTT terminal, which helped to obtain the OTT users in the early days. Nowadays, most of the users in LongShine's OTT platform use third party's terminal.

III. Analysis on Core Competitiveness

1. LongShine has a leading advantage in the field of energy digitization system construction and service

LongShine Technology Group Co., Ltd. has been providing services in electrical energy field for over 20 years, and is a leading company in the field of digital electrical energy service in China. It has strong technology and talent accumulation, and has a deep understanding of the development of informatization and digitization technology application in the electrical energy industry. Relying on its rich business experience and cutting-edge technical capabilities, LongShine has gained leading market share in the industry and good customer reputation. At present, LongShine has a strong brand influence in the industry of digital energy services, has a clear strategic layout, a mature business model and an efficient business path, and has a professional energy digitization system construction and operation service team equipped with more than 3,000 engineers.

LongShine is one of the first companies to engage in the field of digital energy services of electric power and gas. Its subsidiary, Bang Dao Technology, is one of the first companies to develop Internet payment services for public utilities. LongShine Xinyao is one of the first companies to develop distributed photovoltaic cloud platform services and charging point cloud platform services. Therefore, LongShine has first-mover and leading advantages in business specification formulation, information-based software development, technology platform R&D, business operation services, and end-use energy consumption services in the field of digital energy services, which will enable LongShine to better seize the rapid development opportunities of energy digitization in the future.

2. With 2B and 2C two-wheel-drive, the platform is made applicable to diverse scenarios

LongShine serves the field of energy consumption by B2B2C business model. On the one hand, LongShine explores the energy industry. It assists customers such as the State Grid, China Southern Power Grid, Gas Group, and photovoltaic power stations in achieving digital upgrading through software, technology and operational services, and accumulates the middle-platform capabilities and platform products, boosting the construction of new electric system and the innovation and upgrading of the energy Internet; on the other hand, LongShine carries out operation services in depth through the construction of its own energy Internet service platform, and joins hands with strategic partners to provide end-users with new scenarios of multiple energy services through flux portals such as Alipay, UnionPay, and City Super APP, in order to assist end-users access to electric vehicle charging and energy efficiency management and other services, and promote the electrification of end-use energy consumption. Currently, LongShine has expanded its energy Internet service from the utilities payment of water, electricity and gas to richer energy service scenarios of charging, parking, and travelling. Meanwhile, LongShine provides comprehensive energy services such as energy efficiency management, energy saving and emission reduction for corporate customers through distributed photovoltaic cloud platforms and smart energy-saving systems.

In the future, with the explosion of demand for the digital system upgrading and construction of 2B-end energy and the continuous emergence of new scenarios for 2C-end energy Internet services, the business income of LongShine from software service orders and recurring operation service will show accelerated growth trend.

3. New technology R&D and platform operation service capabilities

LongShine has always attached great importance to the R&D of energy digitization technology and the business innovation. Its investment on R&D accounted for over 10% of total revenue during recent years. Up to now, LongShine has obtained multiple patents in the industry. After accumulating years of technology and experience, LongShine has formed an all-round technical system throughout platform R&D, big data operation, and system software development, covering cloud computing, big data, IoT, artificial

intelligence technology, etc., and accumulating strong middle-platform capabilities and platform products, thus ensuring the leading position of LongShine's long-term business and technology and the stability of sustained profitability. LongShine assists customers in achieving business innovation and technological progress in the energy digitalization in combination with the deep understanding of the energy industry, and by virtue of strong new technology innovation and application capabilities.

LongShine has nearly 10 years of experience engaging in energy Internet platform operation and service. LongShine has been working with flux portal of Alipay to build up Internet utilities payment scenarios since 2013, and has developed its energy Internet service platform for over 8 years. The platform has expanded its service from providing utilities payment services for less than twenty public utility agencies with hundreds of thousands of transactions at the initial stage to providing services for over 5,100 public utility agencies and 330 million household users with over 5 million online transactions every day at present. Based on years of continuous operation in different life scenarios, the energy Internet service platform of LongShine has gained a lot of general capabilities in user operation, scenario construction, intelligent marketing, ecological integration and open technology, and accumulated rich experience in platform operation and Internet service.

4. Mature and steady management, professional implementation capability

After years of continuous operation, LongShine Technology Group Co., Ltd. has fostered an advanced management team with superb skills, rich experience, and teamwork and cooperation attitude. All the top management members of LongShine have experience engaging in energy digitization industry for many years, and are quite capable in corporate operating. LongShine introduced the AMDOCS delivery methodology from the world's leading industry software and technical service company in 2005, and introduced the advanced product development concept and management system IPD (Integrated Product Development) of the industry in 2011. Besides, it obtained SDL-based information security service (safe development) certification in 2014, and CMMI L5 certification in 2017. After years of practical application, LongShine has established a mature integrated product R&D management system that integrates IPD+CMMI+SDL, and corresponding project management procedures, to ensure that all work of LongShine are engaged on the basis of "creating value for customers" and guarantee the overall stable operation.

LongShine adheres to the service-oriented principle. In addition to establishing strong middle-platform capabilities and platform online service capabilities, LongShine has deployed efficient and professional business development and localization service teams in most provinces in China, which can provide customers with all-around on-site services from consulting planning and implementation services to business operation. LongShine conducts local adaptive development and customized transformation of relevant technologies in combination with its own advantages, so as to provide customers and partners with operational and technical services meeting their actual needs. In addition, after accumulating years of experience, LongShine Technology Group Co., Ltd., based on ISO20000 information technology service management standard and in combination with service management practice, has formed a complete set of technical service system, which can provide customers with efficient and high-quality services.

IV. Products accounting for above 10% of the Company's main revenue or profit

	Revenue	Cost of sales	Gross profit margin	Increase/decrease of revenue over prior year	Increase/decrease of cost over prior year	Increase/decrease of gross profit margin over prior year
By industry						
Energy digitization construction	404,381,274.39	239,261,095.89	40.83%	50.27%	74.62%	-8.25%
Energy digitization	267,396,538.60	85,203,221.64	68.14%	28.72%	62.20%	-6.57%

	Revenue	Cost of sales	Gross profit margin	Increase/decrease of revenue over prior year	Increase/decrease of cost over prior year	Increase/decrease of gross profit margin over prior year
service						
OTT platform	635,449,898.64	437,987,326.42	31.07%	66.71%	59.19%	3.25%

	Revenue	Cost of sales	Gross profit margin	Increase/decrease of revenue over prior year	Increase/decrease of cost over prior year	Increase/decrease of gross profit margin over prior year
By product						
Platform operating	394,293,176.95	111,265,010.48	71.78%	16.43%	8.02%	2.19%
Software service	505,605,880.71	285,981,632.16	43.44%	60.74%	82.82%	-6.83%
Intelligent terminals	401,625,650.82	363,373,359.40	9.52%	97.98%	78.71%	9.75%

V.   Company Profile

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