LongShine 朗新

LongShine Technology Group Co., Ltd.

Annual Report 2023 (Summary)

April, 2024

I. Key Accounting Data and Financial Indicators

1. 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)	4,727,289,210.10	4,551,745,574.26	3.86%
Net profit attributable to shareholders of listed company (RMB)	603,945,488.22	514,248,180.38	17.44%
Net profit attributable to shareholders of listed company excluding non-recurring gains and losses (RMB)	533,169,887.49	398,957,002.22	33.64%
Net cash flows from operating activities (RMB)	657,986,824.69	316,020,693.28	108.21%
Basic EPS (RMB Yuan/share)	0.56	0.49	14.29%
Diluted EPS (RMB Yuan/share)	0.56	0.49	14.29%
Weighted average ROE	8.17%	7.83%	0.34%
	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)	9,978,148,404.43	9,780,429,180.05	2.02%
Net assets attributable to shareholders of listed company (RMB)	7,621,006,322.84	6,812,411,679.88	11.87%

During this reporting period, the revenue of LongShine Group was 4.73 billion yuan with an increase of 3.86% over the same period of last year; the net profit attributable to shareholders of listed company was 604 million yuan with an increase of 17.44% over the same period of last year; and the net profit attributable to shareholders of listed company excluding non-recurring gains and losses reached 533 million yuan with a year-on-year increase of 33.64%. Net cash flows from operating activities was 658 million yuan with an increase of 108.21% over the same period of last year.

2. Main Accounting Data by quarter

	Q1	Q2	Q3	Q4
Revenue	652,692,873.73	855,531,224.72	1,092,329,580.47	2,126,735,531.18
Net profit attributable to shareholders of listed company	20,069,422.58	66,327,333.43	118,495,101.97	399,053,630.24
Net profit attributable to shareholders of listed company excluding non-recurring gains and	3,428,835.41	48,785,953.90	112,895,561.64	368,059,536.54

losses			
Net cash flows from operating activities	-139,029,256.98	1,743,456.77	57,580,486.95	737,692,137.95

3. Profit allocation and capitalization of capital reserve of current year

Bonus shares per 10 shares (share)	0
Dividend per 10 shares (RMB) (tax included)	2.80
Capitalizing per 10 shares (share)	0
Equity base of the allocation plan	1,083,541,993
Cash dividend (RMB) (tax included)	303,391,758.04
Cash dividend in other ways (e.g.share repurchase) (RMB)	229,448,206.95
Total cash dividend (including other ways) (RMB)	532,839,964.99
Allocable profit (RMB)	563,510,028.97
Proportion of total cash dividend (including other ways) over total profit allocation	100.00%

II. Main business review of the company

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

The electric power industry, the focus of LongShine Technology Group Co., Ltd, is currently undergoing a significant transformation. In the past two decades, China has basically addressed insufficient power supply capacity through infrastructure construction in power supply and grids based on the domestic energy patterns. In 2023, China's total social power consumption exceeded 9.22 trillion kWh, a year-on-year increase of 6.7%. The power supply and demand saw tight balance as a whole and prominent contradiction in some provinces and regions. As China's economy enters a stage of high-quality development, the mid- and long-term contradiction between *security, economy, and environmental protection* in China's energy development has been more prominent. It is necessary to change the development mindset. China takes an approach oriented by the market, relying on digital technology, and focusing on scenarios. The country is constructing new power systems and progressing the electrification of energy consumption as well as energy conservation and efficiency in an attempt to solve the impossible trinity of "security, economy, and environmental protection" in energy.

Since the beginning of 2021, China's strategy of carbon peaking and carbon neutrality has gathered momentum and the market-oriented reform of the power market has significantly picked up pace. **The core of the market-oriented reform of power is to reflect supply and demand through prices, send out price signals, and restore to the attributes of power as commodity.** Concentrating on fundamentals in the power sector such as the mid- to long-term market, spot market, ancillary services, transmission and distribution pricing, and demand response, the government has published a series of documents on power reform. The transmission and distribution pricing reform during the third regulatory cycle has been carried out in 2023. The reform highlights the shift in the grid's operational model from profiting through price differentials to collecting transmission and distribution fees, widens the price gap between high and low voltage transmission and distribution, and addresses issues like cross-subsidies. Since September 2023, the National Development and Reform Commission, the National Energy Administration

and other government departments have rolled out a series of policies and directives. These include the *Basic Rules of the Power Spot Market (Trial), Measures for Demand-Side Power Management (2023 edition), Measures for Power Load Management (2023 edition) and Notice on Further Accelerating the Development of the Power Spot Market*. These documents delineate the trajectory of the power spot market's development and the unified power market's evolution, while also outlining specific demands for enhancing demand-side response capabilities across different provinces under the new circumstances. According to China Electricity Council's data, power trading centers across China witnessed a transaction volume of 5.67 trillion kWh in 2023, registering a year-on-year increase of 7.9%. It accounted for 61.4% of the total power consumption. China's peak-valley price difference is now on the rise. Local governments are consistently refining their time-of-use electricity pricing policies, with more provinces implementing a dual-peak and dual-valley pricing structure.

As new power systems are being constructed and electricity marketization progresses, digital systems are emerging as crucial infrastructure. In 2023, China saw a significant expansion in distributed photovoltaic (DPV) capacity, with newly installed capacity reaching 96.29GW, representing 44.5% of the country's total photovoltaic capacity additions. Notably, 52.8GW of distributed photovoltaic capacity was dedicated to industrial and commercial use, bringing the cumulative installed capacity close to 138.64GW. Additionally, the sales of new energy vehicles (NEVs) reached 9.495 million, pushing market penetration to 31.6%. As of the end of 2023, China's NEV fleet had reached 20.41 million, constituting 4.7% of the total vehicle ownership. As renewable energy integration into the power grid rises and energy consumption shifts towards electrification, the number of devices connected to the power grid has surged exponentially. This trend has catalyzed digital innovation and upgrades across various aspects of the electric power sector, including production, scheduling, metering, marketing, and big data systems on the grid side. Moreover, digitization has extended to energy utilization on the demand side. Rapid growth has been observed in digital systems such as distributed photovoltaic cloud platforms, public charging service platforms, and power market transaction platforms, generating vast amounts of data. Consequently, real-time data performance, network flexibility, and interaction have markedly improved. The advent of digital technology has facilitated enhanced power energy allocation and improved interaction between supply and demand. It has laid a solid foundation for supporting the construction of new power systems, fostering power marketization, and facilitating various service scenarios.

As new scenarios such as distributed energy and electric vehicles (EVs) emerge in large numbers and connect to the grid and a highly interconnected energy system is taking shape, scenarios will become the focus of energy services and redefine the interaction between supply and demand. The traditional business model of providing energy services based on heavy assets is being upgraded to a platform model that enables the exchange of services. Based on scenarios, more opportunities for local energy services are springing up. On energy Internet platforms that connect supply and demand and aggregate services, energy consumers can be local energy producers and deliver power to the grid while enjoying energy services. They can also be direct energy market players by responding to demands and balancing supply and demand close to home. In June 2023, during a State Council executive meeting, a proposal was made to **"establish an industrial ecosystem fostering the integrated development of new energy vehicles, the new energy industry, smart highway infrastructure, and cloud computing technology"**. Subsequently, in December 2023, the National Development and Reform Commission, along with other government departments, issued the *Implementation Opinions on Strengthening the Integration and Interaction of New Energy Vehicles and the Power Grid*. In February 2024, General Secretary Xi Jinping proposed at a meeting of the Political Bureau of the Communist Party of China (CPC) Central Committee to "accelerate the construction of a charging infrastructure network system to support the rapid development of new energy vehicles". Relevant policies have been put in place to promote the deep integration of the transportation industry and the energy industry, both of which are valued at over 1 trillion RMB each. By leveraging integrated

innovations in technologies such as big data, artificial intelligence, the Internet of Vehicles, and new energy, a novel service scenario is being envisioned. **This scenario harmonizes new energy vehicles, new energy, smart highway infrastructure, and cloud computing technology (Intelligent Vehicle-Energy-Infrastructure-Cloud Cooperative System)**, laying the groundwork for the establishment of a comprehensive charging infrastructure network. Consequently, it heralds new opportunities for the Internet of Energy (IoE) and fosters an environment conducive to further development and growth.

2. Main business of the company and progress during reporting period

LongShine Technology Group Co., Ltd. (LongShine Group) is a leading technology company in the energy industry and a long-time service provider in the power and energy consumption sector. It adopts a B2B2C business model and upholds a development strategy driven by "energy digitalization + energy Internet." The Company is intensively engaged in the energy industry. With complete solutions, it supports State Grid Corporation of China (SGCC), China Southern Power Grid (CSG), and other Energy Group, in digital upgrading, obtaining middle platform capabilities, and developing platform products to boost the construction of new power systems. On the other hand, the Company builds its own energy Internet platform, where it joins hands with strategic partners to launch energy demand-side services and operations. By aggregating demand-side resources such as distributed PV, EVs, energy storage, small and medium-sized industrial and business enterprises, and household, it builds a variety of new scenarios of energy services for end users. That way, it realizes the interaction between supply and demand and optimal allocation of resources for electric energy and boost the electrification of final energy consumption and power marketization.

1) Energy Digitization: providing software solution to energy clients.

LongShine has been providing services in energy industry for more than 26 years. In the electricity industry, the company has provided core service system and other solutions for major enterprise customers including the State Grid and China Southern Power Grid. The energy customers served by the company cover 22 provinces / autonomous regions / municipalities directly under the central government, serving more than 270 million energy users. In the gas industry, the company provides core system solutions for major gas enterprises such as China Resources Gas and China gas. The Company is active in acquiring clients in the energy industry and provide traditional and new energy power generators with digital energy management products and solutions. With rich business experience and high-quality technical services, LongShine Group has established a solid and leading position in the field of energy digitization.

In the power and energy industries, LongShine Group are deeply engaged in the digital transition of power grids and the construction of new power systems. It follows the trend of market-oriented development and supports clients from the power and energy industries in reducing costs and increasing efficiency internally and expanding innovation and improving services externally. The Company has intensified its efforts in the core system of power use services and been fully engaged in developing and constructing SGCC's next-generation energy Internet marketing service system. Focusing on development priorities of the industry, the company plays an active part in developing and implementing key projects concerning IoT collection platforms, load management platforms, and energy big data, and supports the innovation and application of energy big data in many provinces. The company is expanding its business presence. In the proxy operation of grid charging piles, marketing operations, and comprehensive energy operations, it has developed unique competitiveness by combining offline services and online operations and launched business in these sectors in many provinces.

During the reporting period, LongShine Technology Group Co., Ltd. achieved a total of 2.32 billion yuan revenue from energy digitization business with a year-on-year decrease of 7.49%.

During the reporting period, as the digital transformation of the energy industry continues to advance, the

construction of new power systems and the ongoing reforms in electricity marketization have spurred increased investment in digitization by power grid operators. Throughout the reporting period, LongShine's endeavors in the realm of energy digitization pertaining to power grids have sustained a robust growth trajectory. This was evidenced by consistent revenue growth, further solidifying and enhancing the company's market position. During the reporting period, LongShine successfully rolled out its Marketing 2.0 system in Shanghai, Shanxi, Hubei, Hebei, Henan and so on, yielding positive outcomes. With a strategic focus on new power system construction and tailored to various user-side load attributes and scenarios, LongShine has implemented and enhanced load control systems across numerous provinces covered by both State Grid and China Southern Power Grid. In the field of energy big data, LongShine has developed an array of solutions addressing key areas such as marketing optimization, load forecasting, carbon emissions, and more. Furthermore, the company has intensified its efforts in exploration and R&D, integrating the Large Model into its initiatives. During the reporting period, LongShine remained committed to streamlining its non-power grid digitization business and bolstering team cohesion and capabilities.

2) Energy Internet: energy as a service (EaaS), providing energy consumption service to end-users

For over a decade, LongShine has been at the forefront of delivering pioneering services within the Internet of Energy (IoE) domain. Through the strategic adoption of digitization, intelligent technology, Internet of Things (IoT), and other cutting-edge technologies, coupled with a platform operation model, LongShine has spearheaded the development of innovative scenarios across various energy services. These encompass utility payment, aggregated electric vehicle (EV) charging, intelligent Vehicle-Energy-Infrastructure-Cloud cooperative system, virtual power plants and so on. The overarching goal is to enhance energy supply efficiency, elevate operational intelligence, and promote greener consumption practices.

In household energy consumption sector, the Company has built utilities payment scenarios. It has partnered with Alipay and other portals to provide more than 450 million residential, business, and industrial users with an online service closed loop comprised of inquiry, payment, bills, and receipts for utilities such as water, power, and heat. This business covers more than 400 cities nationwide and has been connected to more than 6,200 public utility agencies of water, power, gas, and heat. It sees nearly 6.6 million transactions and more than 14 million active users on the platform every day.

In EV energy consumption sector, EVs and public charging services are growing explosively. LongShine Group has launched Xindiantu, an aggregated charging service platform that aggregates vehicle/pile networks through interconnection technology and provides efficient and cost-effective charging services for NEV owners. By the end of 2023, the Xindiantu platform had been connected to more than 1200 charging operators. Its partnerships with leading operators such as TELD, StarCharge, SGCC, and CSG are fast growing. The platform has aggregated over 1.1 million charging devices and serves more than 11 million NEV owners, with a cumulative charging volume of more than 6.6 billion kWh.

In intelligent Vehicle-Energy-Infrastructure-Cloud cooperative system, as the transportation and energy sectors continue to intertwine, significant opportunities emerge for their collective development. Drawing on Xindiantu aggregated EV charging platform, LongShine provides a comprehensive suite of services encompassing platform construction, integrated parking and charging operation, energy management, user operation, and asset operation. Through integrated innovation in big data, artificial intelligence, the Internet of Vehicles (IoV), and new energy technologies, LongShine is actively contributing to the establishment of a robust charging infrastructure network, thereby promoting intelligent and eco-friendly travel practices. To date, LongShine has initiated pilot projects or formulated collaboration plans in cities across Hubei, Jiangsu, Henan, Guangdong, and other provinces.

Virtual Power Plants: The Company's Xinyao distributed PV Cloud Platform features the energy Internet of Things (IoT) technology-enabled services of comprehensive monitoring, intelligent alarm, AI fault diagnosis, big data analysis, and refined operations and maintenance. It helps distributed PV operators to improve power

generation efficiency and reduce costs. The Platform has been connected to more than 200,000 distributed PV power stations with an installed capacity of about 13.5 GW. Moreover, based on the abundant distributed new energy and load resources it has aggregated, the Company's energy Internet platform is launching business practices such as market-based power sales, demand response, and the integration of PV-storage-charging service, which will constitute a typical energy operation model that leads the Company's energy Internet business to continue rapid growth. LongShine has aggregated 2,000 distributed PV power stations to engage in green electricity trading. The company has obtained electricity sales licenses in 25 provinces and acquired demand response or virtual power plant qualifications in Jiangsu, Sichuan, Guangdong, Shenzhen, and various other provinces and cities. Notably, the cumulative transaction value of power contracts has surpassed 250 million KWH.

During the reporting period, LongShine Technology Group Co., Ltd. achieved a total of 1.53 billion yuan revenue from energy internet business with a year-on-year growth of 38.97%.

During the reporting period, LongShine's utility payment business catered to a total of over 450 million users, with more than 14 million daily active users. With connectivity to over 6,200 public service payment agencies, this segment demonstrated consistent growth momentum and maintaining a prominent market position. LongShine's Xindiantu aggregated charging platform experienced rapid expansion, covering more than 1.1 million charging devices (with 0.4 million yearly increase) and boasting over 11 million registered users (with 5 million yearly increase) as of the end of 2023. Notably, the aggregated charging volume surged to 4 billion KWh in 2023, marking a twofold year-on-year increase and further solidifying the company's market share in public charging. While Xindiantu incurred operating losses during the reporting period, with an impact of about 90 million RMB on LongShine Group's net profit, the efficiency of marketing subsidies witnessed continuous improvement. Based on the opportunities presented by the intelligent Vehicle-Energy-Infrastructure-Cloud cooperative system, LongShine successfully secured a bid for the Wuhan Donghu project. This project encompasses the provision of various services, including the construction of an integrated traffic management platform, intelligent parking upgrades, the establishment of an intelligent charging pile system, and data management at community parking lots. Not only does this project serve as a benchmark business case, but it also underscores LongShine's concerted efforts to penetrate markets across multiple provinces and cities.

During the reporting period, LongShine's VPP business experienced remarkable growth. The PV cloud platform successfully integrated approximately 140,000 distributed PV power stations, boasting a combined capacity of around 4GW. By leveraging the aggregation of distributed PV power stations, charging piles, energy storage systems, industrial and commercial customers, and other resources, LongShine actively participated in marketized electricity sales, power auxiliary services, demand-side response initiatives, and green electricity aggregation transactions across multiple provinces. As of the end of the reporting period, the company had obtained electricity sales licenses in 25 provinces and obtained qualifications for demand response or virtual power plants in provinces and cities including Jiangsu, Sichuan, Guangdong, and Shenzhen. LongShine's annual power trading contracts exceeded 250 million KWH, LongShine's participation in aggregated scheduling exceeded 150MW, and nearly 2,000 distributed PV power stations were involved in the trading of aggregated green electricity.

3) OTT platform and hardware:

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. With the development of platform business and the improvement of terminal market ecology, smart terminal business is gradually developing independently.

During the reporting period, LongShine Technology Group Co., Ltd. achieved a total of 872 million yuan revenue from OTT platform and hardware business with a year-on-year decrease of 32.31%.

During the reporting period, LongShine's Internet TV platform business exhibited steady growth, with a slight increase in the number of household users. As of the end of 2023, the company's Internet TV platform served approximately 75 million households, with 28 million households accessing the platform daily. LongShine sustained its prominent market position in the Internet TV sector, particularly within China Mobile's domain. During the reporting period, the intelligent terminal business of Internet TV experienced a notable decline attributed to weakening customer demand and other factors. Consequently, the intelligent terminal business generated a revenue of 306 million RMB, marking a year-on-year decrease of 57%.

III. 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	2,321,314,553.33	1,384,867,681.36	40.34%	7.49%	3.49%	2.30%
Energy internet	1,533,747,901.19	924,608,051.14	39.72%	38.97%	63.85%	-9.15%
OTT platform	872,226,755.58	491,535,643.56	43.65%	-32.31%	-43.13%	10.73%

	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	1,633,258,003.63	868,213,799.49	46.84%	29.72%	45.32%	-5.71%
Software service	2,608,946,368.31	1,557,809,931.14	40.29%	11.84%	10.74%	0.59%

IV. Prospect of the company's future development

Business plan for 2024

In 2024, LongShine remains steadfast in its pursuit of business innovation and upgrading, aligning closely with its dual development strategy centered on energy digitization and the Internet of Energy (IoE). Concurrently, the company is dedicated to enhancing its sustainable development capabilities and bolstering its influence within the

industry ecosystem. LongShine is committed to driving continuous transformation and upgrading, transitioning from a business-driven approach to technology-driven, from project-centric initiatives to platform-oriented endeavors, from service-centric operations to a more operation-oriented approach, and furthermore, from energy technology company to tech-energy company. Meanwhile, LongShine will keep downsizing its non-strategic businesses in an all-round manner, to reduce non-strategic losses and reinforce its strategic focus.

1) Energy Digitization

In 2024, LongShine will actively participate in the development of a core power grid marketing service system, aiming to fortify and enhance its market position. Building upon this foundation, the company will focus on augmenting revenues and profitability in the energy digitization business through software applications, digital services, and business operations, addressing the growing demand for comprehensive digital transformation within the power grid sector. With the ongoing construction of new power systems and increased investment in power grid digitization, LongShine will expand its presence in related business areas. It will prioritize electric information collection, load management, vehicle network integration, virtual power plants, energy storage management and monitoring, marketized power trading, and comprehensive energy management. With these priorities in mind, the company will consolidate internal resources and foster greater synergies to achieve its business targets. In the meantime, LongShine will leverage accelerated AI technological applications to maximize its advantages in applied technology and industry expertise within the energy digitization business. This entails intensifying research into basic technologies and engaging in R&D of the Large Language Model in the electric power industry. Collaborating closely with customers, LongShine will identify application scenarios for the electric power business, conducting R&D to develop scenario-specific applications and verify their effectiveness.

2) Energy Internet

In 2024, LongShine will keep innovating on energy services scenario, smart energy technology construction, energy operation and trading, and big data business intelligence. The company will also persist in exploring and innovating in areas such as household energy, aggregated charging services, virtual power plants, intelligent Vehicle-Energy-Infrastructure-Cloud cooperative system, as well as Internet operation, these efforts are aimed at achieving sustainable and rapid growth in revenues generated by Energy Internet. With a focus on enhancing the capacity of the Energy Internet platform, LongShine will leverage the wealth of data and AI capabilities derived from charging services, virtual power plants, transportation-energy integration, household energy, and other scenarios. This will enable the consolidation of core service capabilities on the platform. Additionally, the company will refine and enhance energy management functions, such as intelligent selection of charging pile locations, return on investment calculations, charging station management, energy storage station management, and demand-side load forecasting. These improvements aim to offer customers more high-value applications. In 2024, on mature core businesses like household energy, LongShine will consolidate and expand its market share while improving the quality and scale of its operations. Simultaneously, it will prioritize investments in growth areas such as Xindiantu aggregated EV charging to drive rapid expansion. For incubation businesses related to virtual power plants, the focus will be on establishing and replicating successful business models, fostering profitability, and enhancing the efficiency of incubation processes.

3) OTT platform:

In 2024, LongShine will continue to integrate and expand its Internet TV and IPTV businesses, with a commitment to ensuring stable operations that revolve around user services, value-added content, technical services, and intelligent terminal products. Additionally, the company will pursue innovative business opportunities in areas such as short- and medium-length videos, traffic commercialization, and other emerging trends.

IV. Company Profile

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