

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**DISCLOSEABLE TRANSACTION  
EXERCISE OF PUT OPTION**

Reference is made to the announcement of the Company dated 26 July 2018 in relation to the Acquisition.

In accordance with the terms of the Acquisition Agreement, Shengli Oilfield Lifeng has provided certain performance undertakings to Beijing Longguang, an indirect wholly-owned subsidiary of the Group, under which Beijing Longguang has the right to require Shengli Oilfield Lifeng to purchase the Sale Shares if the Target Company fails to meet the performance undertakings.

As the Target Company has failed to meet the performance target for the financial year ended 31 December 2018, Beijing Longguang has elected to exercise the Put Option and Shengli Oilfield Lifeng, Beijing Longguang and the Target Company have on 29 March 2019 entered into the Repurchase Agreement under which Shengli Oilfield Lifeng will purchase the Sale Shares for RMB60,000,001. In addition, Beijing Longguang is entitled to the distributable profit of the Target Company of RMB16,000,000 for the year 2018 in accordance with the terms of the Repurchase Agreement and the Acquisition Agreement.

Upon completion of the Disposal, the Group will no longer have any interest in the Target Company.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% and are below 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements set out in Rule 14.33 of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 26 July 2018 in relation to the Acquisition.

In accordance with the terms of the Acquisition Agreement, Shengli Oilfield Lifeng has provided certain performance undertakings to Beijing Longguang under which Beijing Longguang has the right to require Shengli Oilfield Lifeng to purchase the Sale Shares if the Target Company fails to meet performance undertakings.

As the Target Company has failed to meet the performance target for the financial year ended 31 December 2018, Beijing Longguang has elected to exercise the Put Option and Shengli Oilfield Lifeng, Beijing Longguang and the Target Company have on 29 March 2019 entered into the Repurchase Agreement.

The salient terms of the Repurchase Agreement are summarised below:

## **THE REPURCHASE AGREEMENT**

Date: 29 March 2019

### **Parties to the Repurchase Agreement:**

- (1) Shengli Oilfield Lifeng as the purchaser;
- (2) Beijing Longguang as the vendor; and
- (3) the Target Company.

Shengli Oilfield Lifeng is principally engaged in a range of businesses including new energy applications, oilfield chemicals and technical equipment services, development of eco-development zone, vehicle sales, property development and sales of oil products. To the best knowledge of the Directors, having made all reasonable enquiries, Shengli Oilfield Lifeng and its beneficial owners are independent of and not connected with the Company or any of its connected persons.

### **Subject matter**

Beijing Longguang shall sell and Shengli Oilfield Lifeng shall purchase the Sale Shares. The Sale Shares represent 40% of the registered capital of the Target Company.

### **Consideration**

The consideration for the Disposal of the Sale Shares to Shengli Oilfield Lifeng is RMB60,000,001. In addition, Beijing Longguang is also entitled to the distributable profit of the Target Company of RMB16,000,000 for the year 2018 in accordance with the terms of the Repurchase Agreement and the Acquisition Agreement.

The consideration and the distributable profit will be payable to Beijing Longguang in accordance with the following schedule:

1. a sum of RMB8,000,000, being 50% of the distributable profit of the Target Company for the financial year of 2018, shall be payable by the Target Company to Beijing Longguang upon the Repurchase Agreement becoming effective and before 30 April 2019;
2. a sum of RMB8,000,000, being the remaining part of the distributable profit of the Target Company for the financial year of 2018, shall be payable by the Target Company to Beijing Longguang upon the Repurchase Agreement before 30 May 2019;
3. a sum of RMB60,000,001, being the consideration for the Sale Shares, shall be payable by Shengli Oilfield Lifeng to Beijing Longguang before 30 June 2019.

If either the Target Company or Shengli Oilfield Lifeng shall default on their respective payment obligations under the Repurchase Agreement, a default penalty of 0.1% on the outstanding amount shall be levied for each day of default. In order to support Shengli Oilfield Lifeng to raise funds to fulfill its repurchase commitment, Beijing Longguang agreed that Shengli Oilfield Lifeng may seek third-party cooperation in respect of the Target Company in the form of mergers and acquisitions, restructuring and equity transfer. Beijing Longguang promised to give up its right of first refusal in respect of 51% equity interest in the Target Company held by Shengli Oilfield Lifeng. If the Target Company and Shengli Oilfield Lifeng failure to pay the full amount of RMB76,000,001 before 30 June 2019, and if the default shall remain for more than 30 calendar days, Beijing Longguang will have the right to revoke the above promise and choose to continue to fulfil the Acquisition Agreement, as it sees fit. The Company will make separate announcement(s) in such an event.

The consideration and the distributable profit of RMB76,000,001 in total under the Repurchase Agreement was determined in accordance with the terms of the Put Option under the Acquisition Agreement.

### **Information on the Target Company**

The Target Company is a joint-stock company established in the PRC in 2005. The Target Company and its subsidiaries are principally engaged in the new energy business of development of waste heat and pressure power generation projects, water and heat resource heat pump units, air-cooled heat pump units, low ambient temperature air source heat pump units, sales and designs integration, installation, maintenance and technical services of related operating systems; the provision of heating services and contract energy management services.

On 26 July 2018, Beijing Longguang entered into the Acquisition Agreement with Shengli Oilfield Lifeng and the Target Company pursuant to which Beijing Longguang agreed to purchase 29.41% of the then registered capital of the Target Company for RMB1, assume the capital contribution obligation of such registered capital in the amount of RMB30,000,000, and contribute additional capital in the amount of RMB30,000,000 to the Target Company.

Upon completion of the aforesaid transaction and as at the date of this announcement, the Target Company is owned as to 40% by Beijing Longguang, as to 55.302% by Shengli Oilfield Lifeng and as to 4.698% by forty-seven other individual shareholders.

The net asset value of the Target Group was approximately RMB171,492,000 as at 31 December 2018. The financial results of Target Group for the two years ended 31 December 2017 and 2018 are as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2017</b>	<b>2018</b>
	<b>(audited)</b>	<b>(audited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	34,057	24,235
Net profit after tax	30,011	19,053

Upon completion of the Disposal, the Group will no longer have any interest in the Target Company, and the financial results of the Target Group will not be equity accounted for in the financial statements of the Group. The Group has recognised a share of net profit of the Target Company of RMB8,597,000 and fair value gain on the Put Option of RMB7,403,000 for the year ended 31 December 2018.

With the aggregate consideration of RMB76,000,001 upon the completion of the Repurchase Agreement, it is estimated that the Group will not recognise any gain or loss as a result of the Disposal according to the financial information as at 31 December 2018. The Group intends to apply such proceeds of RMB76,000,001 for development of other smart energy business and for general working capital.

The actual amount of the gain or loss on the Disposal to be recorded in the consolidated financial statements of the Group for the year ending 31 December 2019 is subject to audit. It will be calculated based on the net asset value of Target Group as at the date of the completion of the Disposal and net of any incidental expenses and therefore may differ from the estimated amount set out above.

## **REASONS FOR THE DISPOSAL**

The Group is principally engaged in smart energy business and public infrastructure construction business, with gradual expansion and diversification to other clean energy business. Of which the smart energy business is mainly based on the needs of industrial, commercial, residential customers and public institutions, relying on the smart energy cloud platform with independent intellectual property rights, the Group provides customers with comprehensive smart energy services based on various energy sources such as electricity, heat and gas.

The Group entered into the Acquisition Agreement in July 2018 with a view to use the Target Company as a platform to develop geothermal and waste heat resources to participate in the coal-to-clean energy market in Northern China. Under the Acquisition Agreement, Shengli Oilfield Lifeng has provided certain performance undertakings under which it undertook and warranted that the audited consolidated net profit attributable to the owners of the Target Group for the financial years of 2018 and 2019 shall not be less than RMB60,000,000 and RMB80,000,000, respectively. If the aggregated audited consolidated net profit attributable to the owners of the Target Group for the financial years of 2018 and 2019 is less than RMB140,000,000 or the audited consolidated net profit attributable to the owners of the Target Group for the financial year of 2018 is less than RMB25,000,000, Beijing Longguang shall have the right to require Shengli Oilfield Lifeng to purchase the Sale Shares.

As the Target Company has failed to meet its performance target, Beijing Longguang has elected to exercise the Put Option and requested Shengli Oilfield Lifeng to repurchase the Sale Shares.

As the terms of the Disposal were based on the terms of the Put Option under the Acquisition Agreement, the Directors consider that the terms of the Repurchase Agreement were concluded after arm's length negotiations and on normal commercial terms, and the Disposal is in the interest of the Company and the Shareholders as a whole.

## **GENERAL**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% and are below 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements set out in Rule 14.33 of the Listing Rules.

## DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the transactions comprising the acquisition by Beijing Longguang of 29.41% of the then registered capital of the Target Company, assumed the capital contribution to such registered capital and the further capital contribution to the Target Company as contemplated under the Acquisition Agreement;
“Acquisition Agreement”	the agreement dated 26 July 2018 between Beijing Longguang, Shengli Oilfield Lifeng and the Target Company in relation to the investment in the Target Company;
“Beijing Longguang”	北京隆光能源科技有限公司(Beijing Longguang Energy Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company;
“Board”	the board of directors of the Company;
“Company”	LongiTech Smart Energy Holding Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;

“Disposal”	the sale of the Sale Shares by Beijing Longguang to Shengli Oilfield Lifeng upon the exercise of the Put Option;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Put Option”	the put option granted by Shengli Oilfield Lifeng to Beijing Longguang under which it gives Beijing Longguang the right to require Shengli Oilfield Lifeng to purchase the Sale Shares in accordance with the Acquisition Agreement;
“Repurchase Agreement”	the agreement dated 29 March 2019 between Beijing Longguang, Shengli Oilfield Lifeng and the Target Company in relation to the Disposal;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	40% of the registered capital of the Target Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Shengli Oilfield Lifeng”	勝利油田利豐實業集團有限公司 (Shengli Oilfield Lifeng Industrial Group Co., Ltd.*), a company incorporated in the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;



“Target Company”	山東海利豐清潔能源股份有限公司 (Shandong Hailifeng Clean Energy Joint Stock Co. Ltd.*), a joint stock company incorporated in the PRC;
“Target Group”	the Target Company and its subsidiaries; and
“%”	per cent.

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

Hebei, 29 March 2019

*As at the date of this announcement, the executive Directors are Mr. Wei Qiang, Mr. Yuen Chi Ping and Dr. Liu Zhengang, the non-executive Director is Mr. Wei Shaojun, and the independent non-executive Directors are Mr. Han Qinchun, Mr. Wong Yik Chung John and Mr. Han Xiaoping.*

\* *The English name is for identification purposes only.*