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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
FORMATION OF JOINT VENTURE**

On 2 July 2019, the Subsidiary, an indirect 95% owned subsidiary of the Company, entered into the Joint Venture Agreement with the First Investor and the Second Investor pursuant to which the parties agreed to establish the Joint Venture to principally engage in the investment, construction, operation and management of the incremental distribution network at the HMA Industrial Park.

The registered capital of the Joint Venture will be RMB100,000,000, and will be contributed as to 79%, 20% and 1% by the Subsidiary, the First Investor and the Second Investor, respectively. After its establishment, the Joint Venture will become a subsidiary of the Group and its financial results will be consolidated with the financial statements of the Group.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the establishment of the Joint Venture is more than 5% but are less than 25%, the establishment of the Joint Venture constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE JOINT VENTURE AGREEMENT

On 2 July 2019, the Subsidiary, an indirect 95% owned subsidiary of the Company, entered into the Joint Venture Agreement with the First Investor and the Second Investor pursuant to which the parties agreed to establish the Joint Venture to principally engage in the investment, construction, operation and management of incremental distribution network at the HMAc Industrial Park.

The principal terms of the Joint Venture Agreement are set out below:

Date: 2 July 2019

Parties: the Subsidiary, an indirect 95% owned subsidiary of the Company, which is principally engaged in the operation of a 110 kv transformer station at the HMAc Industrial Park;

the First Investor, which is a wholly-owned subsidiary of a State-owned enterprise and is principally engaged in urban development and investment; and

the Second Investor, which is a State-owned enterprise and is principally engaged in the development and operation of the HMAc Industrial Park.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the First Investor, the Second Investor and their respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons.

Registered Capital and shareholding of the Joint Venture:

The registered capital of the Joint Venture will be RMB100,000,000, and will be held as follows:

Shareholder	Capital to be contributed <i>RMB</i>	% shareholding
the Subsidiary	79,000,000	79%
the First Investor	20,000,000	20%
the Second Investor	<u>1,000,000</u>	<u>1%</u>
	<u><u>100,000,000</u></u>	<u><u>100%</u></u>

The amount of the registered capital of the Joint Venture was determined by the parties after arm's length negotiations with reference to the initial capital requirement for the development of the business of the Joint Venture.

The registered capital will be contributed in stages by the parties and in the following manners:

Shareholder	Form of capital contribution
the Subsidiary	a 110 kv transformer station located at the HMAC Industrial Park with a net book value of RMB74,045,314 as at 30 June 2019, and cash
the First Investor	land and buildings and cash
the Second Investor	cash

The contribution of the 110 kv transformer station to the capital of the Joint Venture would constitute a deemed disposal by the Company. As the applicable percentage ratio in respect of such deemed disposal are less than 5%, the deemed disposal does not constitute a notifiable transaction for the Company for the purpose of Chapter 14 of the Listing Rules.

Business scope and operation: The Joint Venture will principally be engaged in the investment, construction, operation and management of the incremental distribution network at the HMAc Industrial Park. After fulfilling the admission procedure of the power selling company, the Joint Venture will provide all kinds of power supply services and paid value-added services to users in the HMAc Industrial Park, including bottom-guaranteed power supply services, purchasing and selling power services, contractual energy management, integrated energy services and other value-added services.

The Joint Venture will have an initial plan of establishing a incremental distribution network to cover the power supply range of 20 square kilometres of the HMAc Industrial Park by 2020.

Board of directors: The board of directors of the Joint Venture will consist of five directors, three of which will be nominated by the Subsidiary and two will be jointly nominated by the First Investor and the Second Investor.

As the Subsidiary will be interested in 79% of the equity interest of the Joint Venture and control its board of directors, the Joint Venture will be accounted as a subsidiary of the Group and its financial results will be consolidated with the financial statements of the Group.

REASONS AND BENEFITS OF ENTERING INTO THE JOINT VENTURE AGREEMENT

The Group is principally engaged in smart energy and public infrastructure construction businesses, 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 cooling, heat, electricity and gas.

The Subsidiary owns and operates a 110 kv transformer station at the HMAc Industrial Park. Upon the establishment of the Joint Venture, the Joint Venture will enter into a franchise operation agreement with the local government authority of HMAc to invest, construct, operate and manage the incremental distribution network with voltage level of 220 kv and below of the HMAc Industrial Park for a term of 30 years. The HMAc Industrial Park has a planned area of 67 square kilometers, with the initial phase of development covering 20 square kilometers. According to the local government's plan, the maximum power load forecast in the initial phase area will reach about 307 MW in 2020, which will meet the maximum annual power consumption of about 220 million kwh.

The establishment of the Joint Venture will leverage on the strength and resources of the parties and enable the Group to utilize the capacity of its existing transformer station at the HMAc Industrial Park, and provide the Group with the opportunity to participate in the capacity expansion at the industrial park in future, which in turn will ensure a stable income stream for the Group as well as providing the Group with the necessary experience in the operation and management of a incremental distribution network.

The Directors (including the independent non-executive Directors) consider that the establishment of the Joint Venture was conducted under normal commercial terms, the terms of which are fair and reasonable, and the entering into of the Joint Venture Agreement is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the establishment of the Joint Venture is more than 5% but are less than 25%, the establishment of the Joint Venture constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors;
“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;
“Director(s)”	the director(s) of the Company;
“First Investor”	和布克賽爾蒙古自治縣城市建設投資發展有限公司 (HMAC Urban Development and Investment Co., Ltd.*);
“Group”	the Company and its subsidiaries;
“HMAC”	和布克賽爾蒙古自治縣 (Hoboksar Mongol Autonomous County), an autonomous county located in the Xinjiang Uyghur Autonomous Region;
“HMAC Industrial Park”	新疆和布克賽爾縣和豐工業園區 (Xinjiang HMAC Hefang Industrial Park);

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Joint Venture Agreement”	the agreement dated 2 July 2019 between the Subsidiary, the First Investor and the Second Investor;
“Joint Venture”	a limited liability company to be incorporated in the PRC under the proposed name of “新疆賽爾配售電有限公司 (Xinjiang Saier Power Distribution Co., Ltd.*)” pursuant to the Joint Venture Agreement;
“kv”	kilovolt;
“kwh”	kilowatt-hour;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MW”	megawatt;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region and Taiwan);
“Second Investor”	和布克賽爾蒙古自治縣和園建設投資發展有限公司(HMAC Industrial Park Development and Investment Co., Ltd.*);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Subsidiary”

和布克賽爾蒙古自治縣四方電金能源有限公司(HMAC Sifang Dianjin Energy Co., Ltd.*), a 95% owned subsidiary of the Group; and

“%”

per cent.

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

2 July 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 Dr. Han Qinchun, Mr. Wong Yik Chung, John and Mr. Han Xiaoping.

* For identification purposes only