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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
IN RELATION TO THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET
COMPANY
INVOLVING ISSUE OF CONVERTIBLE BOND**

THE TRANSACTION

The Board is pleased to announce that, on 7 November 2018 (after trading hours), the Purchaser, the Vendor, the Warrantor and the Company entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$195,360,000, which will be satisfied by the issue of Convertible Bond of the Company.

Upon Completion, the Company will hold directly the entire equity interest in the Target Company and indirectly the entire equity interest in the Target Subsidiaries.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Sale and Purchase Agreement and the Transaction contemplated thereunder exceed 5% but less than 25% and the Consideration shall be satisfied by way of issue of Convertible Bond, the Sale and Purchase Agreement and the Transaction contemplated thereunder constitute discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempted from Shareholders' approval under Chapter 14 of the Listing Rules.

Completion is subject to the fulfilment or waiver of all conditions precedent under the Sale and Purchase Agreement. As the Transaction may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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THE SALE AND PURCHASE AGREEMENT

The material terms of the Sale and Purchase Agreement are summarized below:

Date: 7 November 2018 (after trading hours)

Parties:

- (i) the Purchaser;
- (ii) the Vendor;
- (iii) the Warrantor; and
- (iv) the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and the Warrantor are independent of and not connected with the Company and its connected persons.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, free from all encumbrances and together with all existing and future rights and benefits attaching with or accruing to the Sale Shares, subject to the fulfilment (or waiver where applicable) of all conditions precedent as set out in the paragraph headed "Conditions Precedent" below.

Consideration

The Consideration is HK\$195,360,000, which shall be satisfied by the Company issuing to the Vendor (or its nominee) the Convertible Bond in the principal amount of HK\$195,360,000 on the Completion Date.

Key terms of the Convertible Bond are set out in the paragraph headed "Issue of the Convertible Bond" below.

The Consideration is approximately 5% premium over the Adjusted Net Asset Value (being approximately HK\$185,871,512) which was determined based on arm's length negotiations between the Purchaser and the Vendor after taking into account, among other things, (i) the adjusted financial condition of the Target Group, and (ii) the Target Project is expected to commence on-grid power generation by the end of December 2018.

The Directors consider that the Consideration is fair and reasonable taking into account the above factors. The Directors are of the view that the issue of the Convertible Bond as the payment of the Consideration will allow the Company to retain more liquid financial resources and if other investment opportunities arise, the Company is in a better financial position to capture such opportunities.

Conditions Precedent

Completion of the Sale and Purchase Agreement is conditional upon the fulfilment or waiver (as the case may be) of the following Conditions:

- (i) the Target Group having completed, in accordance with the Purchaser's request and relevant laws and regulation, (i) debt restructuring and (ii) the financial arrangement of loan agreements between related parties, and as such the Adjusted Net Asset Value of being approximately HK\$185,871,512;
- (ii) Baotou Yinfeng having entered into an amended procurement agreement with the Warrantor in accordance with the requirements stipulated in the Sale and Purchase Agreement and to the satisfaction of the Purchaser;
- (iii) Baotou Yinfeng having entered into an amended engineering and construction agreement with Beijing Sifang in accordance with the requirements stipulated in the Sale and Purchase Agreement and to the satisfaction of the Purchaser;
- (iv) Baotou Yinfeng having entered into an amended memorandum in relation to a guarantee provided by Baotou Yinfeng with Hebei Hongsong in accordance with the requirements stipulated in the Sale and Purchase Agreement and to the satisfaction of the Purchaser;
- (v) Baotou Yinfeng having entered into an amended personal guarantee with Mr. Zhang Zhi Xiang (張志祥), being the chief executive officer, the executive director and substantial shareholder of the Vendor, in accordance with the requirements stipulated in the Sale and Purchase Agreement and to the satisfaction of the Purchaser;
- (vi) the Vendor having provided a valid and effective resignation letter of Mr. Cao, and all documents necessary to effect the transfer of 0.08% shareholding originally held by Mr. Cao in Baotou Yinfeng to Beijing Yinfeng including, without limitation, the share transfer agreement, shareholders' resolution and certificate of payment;
- (vii) the Purchaser having completed the due diligence review on the legal, financial and business aspects in respect of the Target Group and the Purchaser being satisfied with the results of the due diligence review;

- (viii) a third party (an individual or body corporate) approved by the Purchaser having entered into a guarantee in favour of the Purchaser to guarantee the due and punctual performance of the Vendor in relation to all obligations owed by the Vendor under the Sale and Purchase Agreement;
- (ix) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange and such approval having remained in full force and effect;
- (x) the Listing Rules and the Takeovers Code or other requirements of the Stock Exchange and the Securities and Futures Commission of Hong Kong regulating the Sale and Purchase Agreement, the Convertible Bond Instrument and the transactions contemplated thereunder (including but not limited to the issuance of the Convertible Bond, execution of the Convertible Bond Instrument and issuance and allotment of the Conversion Shares) having been complied with;
- (xi) all the necessary approval, consent, waiver, authorisation, registration and filing procedures (including but not limited to the government and statutory regulators, the board of directors and shareholders of the Purchaser, the Vendor and the Target Group) in connection with the Transaction having been obtained and such necessary approval, consent, waiver, authorisation, registration and filing procedures having remained valid and effective;
- (xii) all the necessary consent and waiver by third parties in connection with the Transaction having been obtained and such necessary consent and waiver having remained valid and effective;
- (xiii) the warranties given by the Vendor and the Warrantor under the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect as if repeated upon Completion and at all times between the date of the Sale and Purchase Agreement and the Completion Date;
- (xiv) the Vendor and the Warrantor guaranteeing that there is no untrue, inaccurate or misleading statement at Completion;
- (xv) the Vendor having fully performed all the covenants and agreements in connection with the Transaction;

- (xvi) there has not been any material adverse change in the business or operation performance of the Target Group since the date of the Sale and Purchase Agreement to the Completion Date;
- (xvii) the Target Company and the employees retained having signed and delivered the retained employee commitment letter to ensure there is no change in the existing management of the Target Company after Completion (except for changes being agreed by the Purchaser); and
- (xviii) no applicable law or regulation prohibiting the Completion between the date of the Sale and Purchase Agreement and the Completion Date.

The Purchaser may waive any or all of the above conditions at any time by notice in writing to the Vendor. If the conditions above have not been fulfilled (or waived by the Purchaser pursuant to the Sale and Purchase Agreement) on or before the Long Stop Date, the Sale and Purchase Agreement shall automatically terminate (other than the surviving provisions as defined in the Sale and Purchase Agreement) and all rights and obligation of the parties shall cease to have effect immediately upon such termination. In such event, none of the parties shall have any claim against or liability or obligation, save for the accrued rights or liabilities of any party at or before such termination.

Completion

Completion of the Sale and Purchase Agreement shall take place on the Completion Date, being any day within three (3) Business Day after fulfilment (or waiver where applicable) of all conditions precedent under the Sale and Purchase Agreement or such later date as may be agreed by the Purchaser and the Vendor in writing.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and indirectly own the entire equity interest in the Target Subsidiaries, which in turn owns the Target Project.

Representations, warranties, undertakings and indemnities

The Sale and Purchase Agreement contains provisions on indemnity, representations, warranties and undertakings given by the Parties in relation to the Transaction which are usual and customary for a transaction of this nature and scale. The key terms are disclosed below:

- The Purchaser has agreed, amongst others, to:
 - (i) provide Baotou Yinfeng with a loan of not more than RMB15,000,000 at an annual interest of 9% to be used for the Target Project before the Completion Date while Baotou Yinfeng will use its current and future assets to provide mortgage to the Purchaser or its nominee(s); and
 - (ii) provide operating capital of RMB85,000,000 to Baotou Yinfeng in support of the Target Project in accordance with the payment arrangement in the Sale and Purchase Agreement.
- The Vendor undertakes to procure Baotou Yinfeng to obtain the approval document concerning electricity price for the Target Project and to complete the grid connection by 31 December 2018. The approval document shall stipulate the Target Project's execution electricity price to be RMB0.49/kWh.

Unless and otherwise that the Purchaser fails to fulfill its warranties as disclosed in this announcement as above, if (1) the execution electricity price fails to reach RMB0.49/kWh, or (2) the grid connection could not be completed by 30 June 2019, the Vendor shall compensate the loss incurred with reference to the compensation formula as stipulated in the Sale and Purchase Agreement.

- The Warrantor has agreed to guarantee to the Purchaser the due and punctual performance by the Vendor of its obligations under and pursuant to the Sale and Purchase Agreement for three years from the date of fulfillment of all obligations under the Sale and Purchase Agreement.

The Warrantor irrevocably undertakes that if any of the following events occurs, the Purchaser is entitled to demand the Warrantor to repurchase 100% of the Sale Shares from the Purchaser:—

- (a) the execution electricity price of the Target Project is lower than RMB0.49/kWh (in the event that the Purchaser fails to provide operating capital to Baotou Yinfeng as disclosed in this announcement as above, the execution electricity price shall be RMB0.40/kWh);
- (b) the actual electricity usage of the Target Project fails to comply with the requirements as stipulated in the Sale and Purchase Agreement;
- (c) the Target Project has not yet commenced or completed by 30 June 2019;
- (d) all the required registration and/or approval procedures, including but not limited to obtaining the relevant approval, have not been completed by 31 December 2019; and
- (e) the Vendor and the Target Company are in breach of the warranties stipulated in the Sale and Purchase Agreement.

The repurchase price would be assessed and determined based on the Consideration and the aggregated capital investment on the Target Project plus a compensation interest of 12%, calculation of which shall be referred to the Sale and Purchase Agreement.

- The Company has agreed to guarantee to the Vendor the due and punctual performance by the Purchaser of its obligations under and pursuant to the Sale and Purchase Agreement for three years from the date of fulfillment of all obligations under the Sale and Purchase Agreement.

ISSUE OF THE CONVERTIBLE BOND

The principal terms of the Convertible Bond are as follows:

Issuer	:	The Company.
Principal Amount	:	HK\$195,360,000.
Issue Date	:	The Completion Date.
Interest Rate	:	3.5% per annum, payable every six (6) months from the Issue Date.

Maturity Date : The day falling on the first (1st) anniversary of the Issue Date.

Early Redemption : The Company has the right but not the obligation to redeem all or any part of the Convertible Bond at the Early Redemption Price at any time between the Issue Date and the last day immediately preceding the Maturity Date by depositing a notice of early redemption with a Bondholder at least three months prior to the proposed redemption date and repaying the holder(s) of the Convertible Bond all or any part of outstanding principal amount together with unpaid interest accrued thereon (if any) up to the date of full payment of the early redemption price.

Upon occurrence of an event of default as defined in the Convertible Bond Instrument and a written notice is served by a Bondholder to the Company specifying the event of default, the Bondholders shall have the right (but not the obligation) to demand the Company to redeem all or part of the Outstanding Bond at 100% of the Principal Amount outstanding plus any default interest (calculated at the rate of 0.02% per day from the due date to the date on which full payment is made) on the date of the relevant written notice.

Status and Denomination : The Convertible Bond constitutes direct, unsecured, unsubordinated and unconditional obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves.

The payment obligations of the Company under the Convertible Bond shall, save for such exceptions as may be provided by mandatory provisions of applicable laws and at all times rank at least equally with all of the Company's other present and future direct, secured unsubordinated and unconditional obligations.

The Conversion Shares are in registered definitive form and in the denomination of HK\$0.01.

- Conversion Price : HK\$2.20 per Conversion Share (subject to adjustments).
- Adjustments to Conversion Price : The Conversion Price is subject to adjustments upon the occurrence of the following events:
- (a) an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification;
 - (b) an issue of Shares credited as fully paid to the Shareholders by way of capitalization of profits or reserves (including any share premium account);
 - (c) a capital distribution being made by the Company to the Shareholders;
 - (d) right issues of Shares;
 - (e) right issues of any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class;
 - (f) issues of any Shares at a price per Share less than 80% of the market price;
 - (g) modification of rights of conversion leading to the consideration per Share is less than 80% of the market price; or
 - (h) offers to Shareholders pursuant to which the Shareholders generally are entitled to participate in arrangements whereby Shareholders may acquire any securities offered thereof.

If, as a result of an adjustment to the Conversion Price, any issue of Shares to any Bondholder(s) is required, upon its exercise of the Conversion Rights in relation to the Outstanding Bond held by it, which, alone or in aggregate with the Shares that are issuable upon the exercise of the Conversion Rights by any other Bondholder(s) under the Convertible Bond Instrument, would exceed 88,800,000 Shares (the “**CB Issue Limit**”), the Company shall:

- (i) issue, allot and deliver the number of Shares to which the relevant Bondholder(s) would have been entitled upon exercise of the Conversion Right under the CB Issue Limit; and
- (ii) upon issue and allotment of such number of Shares to which the relevant Bondholder(s) would have been entitled upon exercise of the Conversion Right under the CB Issue Limit, use its best endeavours to obtain the requisite Board and Shareholder authorisations (including but not limited to obtaining a specific mandate from Shareholders) to allot and issue the relevant number of Shares that shall be issuable upon exercise of the Conversion Rights at the adjusted Conversion Price (having taken into account the Shares already issued and delivered as mentioned in (i) above), or failing which, give notice thereof within three (3) Business Days to the Bondholder (the “**Cash Value Notice**”) and subject to the receipt of the relevant conversion notice as required under the Convertible Bond Instrument, satisfy the exercise of the Conversion Rights by making payment, or procuring that payment is made on its behalf, on the fifteenth (15) Trading Day following the date of issue of the Cash Value Notice, of an amount calculated by multiplying (1) the number of Conversion Shares in excess of the CB Issue Limit to which the Bondholder is entitled upon exercise of the Conversion Rights; by (2) the closing price of the Shares immediately preceding the date of the conversion notice.

Conversion Shares : Assuming the Conversion Rights attached to the Convertible Bond are exercised in full at the initial Conversion Price of HK\$2.20 per Conversion Share, a maximum of 88,800,000 Conversion Shares will be allotted and issued, representing approximately 5.98% of the entire issued share capital of the Company as at the date of this Announcement and approximately 5.64% of the entire issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be allotted and issued under the General Mandate.

Conversion Rights : Bondholders have the right to convert any or all the Principal Amount of the Convertible Bond into Shares at the Conversion Period provided that the principal amount of the Convertible Bond to be converted by a Bondholder shall be not less than HK\$1,000,000.

Restrictions on Conversion Rights : The Conversion Rights shall not be exercised by the Bondholder, or if exercised by virtue of a conversion notice having been given if it comes to the notice of the Company that immediately following such conversion:

- (a) the Bondholder will as a result of the issue of the relevant Conversion Shares trigger any general offer obligation under Rule 26 of the Takeovers Code; or
- (b) the Bondholder or the Company will as a result of the issue of the relevant Conversion Shares be in breach of the Listing Rules, including but not limited to the minimum public float requirements.
- (c) will be treated as a connected transaction of the Company under the Listing Rules; or

(d) the total number of Shares issuable upon a Bondholder's exercise of its Conversion Right and following which the total number of Shares issuable upon such exercise would not otherwise exceed the CB Issue Limit.

Conversion Period : The Convertible Bond will be convertible on the Maturity Date unless the Convertible Bond are redeemed earlier than that.

Transferability : The Convertible Bond is transferable in part or in entirety of its Principal Amount, except to connected persons of the Company, provided that the Principal Amount of the transferred part of the Convertible Bond is not less than HK\$1,000,000.

Listing : No application will be made by the Company for the listing of the Convertible Bond on the Stock Exchange or any other stock exchanges.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Bond.

Conversion Price

The Conversion Price of HK\$2.20 per Conversion Share (i) represents a premium of approximately 17.65% over the closing price of HK\$1.87 per Share as quoted on the Stock Exchange on 7 November 2018, being the date of the Sale and Purchase Agreement; and (ii) a premium of approximately 16.65% to the average of the closing prices of HK\$1.886 per Share for the last five (5) consecutive full Trading Days immediately prior to the date of the Sale and Purchase Agreement.

The Conversion Price of HK\$2.20 per Conversion Share has been arrived at after arm's length negotiations between the Purchaser and the Vendor, with reference to, among other things, the recent trend of the Share price performance and the prevailing market price of the Shares. The Directors consider that the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Event of default under the Convertible Bond

The Convertible Bond shall become immediately due and repayable upon the occurrence of any of the following events:

- (i) The Company does not pay on the due date any amount or interest payable pursuant to the Convertible Bond Instrument at the place and in the currency in which it is expressed to be payable, unless its failure to pay is caused by an administrative or technical error and payment is made within thirty (30) Trading Days of its due date;
- (ii) The Shares cease to be listed or admitted to, or are suspended for a period of more than thirty (30) consecutive Trading Days (or such longer period as agreed by the Bondholders) from, trading on the Stock Exchange and/or the shareholders of the Company pass a shareholder resolution to delist its shares from the Stock Exchange;
- (iii) Any order is made by any competent court which is not discharged or overruled within thirty (30) days (or such longer period as may be agreed by the Bondholders) by a non-appealable order by a competent court, or any resolution is passed for the winding up, bankruptcy or dissolution of the Company;
- (iv) (1) Proceedings are initiated against the Company under any applicable liquidation, insolvency, bankruptcy, judicial management, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, judicial manager, administrator or other similar official, or an administrative or other receiver, manager, judicial manager, administrator or other similar official is appointed, in relation to the Company or, as the case may be, in relation to the whole or any part of the undertaking, assets or revenues of the Company or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Company, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Company; and (2) in any such case (other than the appointment of an administrator) unless initiated by the relevant company is not discharged within thirty (30) days (or such longer period as may be agreed by the Bondholders);

- (v) The Company initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation, judicial management or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) and such meeting is not cancelled within thirty (30) days (or such longer period as may be agreed by the Bondholders) from its announcement;
- (vi) Any governmental agency seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or makes an order therefor;
- (vii) It is or becomes unlawful for the Company to perform any of its obligations under the Convertible Bond Instrument;
- (viii) Any obligation of the Company under the Convertible Bond Instrument is not or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially adversely affects the interests of the Bondholders under the Convertible Bond Instrument; or
- (ix) The Company ceases or threatens to cease to carry on the whole or a substantial part of its business or changes or threatens to change the fundamental nature or scope of its business.

General Mandate to issue the Conversion Shares

The Conversion Shares will be issued pursuant to the General Mandate and is not subject to Shareholders' approval. The maximum number of Shares that can be issued under the General Mandate is 275,684,400 Shares, representing 20% of the total amount of the Shares in issue as at 12 June 2018, being the date of the passing of the resolution granting the General Mandate. As at the date of this Announcement, 106,182,000 Shares have been issued under the General Mandate and the number of Shares that may be issued under the General Mandate is 169,502,400. Therefore, the General Mandate is sufficient for the allotment and issue of the Conversion Shares.

INFORMATION OF THE COMPANY AND THE PURCHASER

The Group is principally engaged in smart energy business, and public infrastructure construction and the related preliminary investment and post construction operation management, 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 to provide customers with comprehensive smart energy services based on various energy sources such as cooling, heat, electricity and gas.

The Purchaser is an investment holding company incorporated in the BVI and is a directly wholly-owned subsidiary of the Company.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

To the best knowledge of the Directors and the Company, the shareholding in the Company (a) as at the date of this Announcement; and (b) immediately after full conversion of the Convertible Bond (assuming no further Shares will be issued or repurchased from the date of this Announcement up to the date upon which the Convertible Bond are fully converted) are as follows:

Name of Shareholders	As at the date of this Announcement		Immediately after full conversion of the Convertible Bond	
	Number of Shares (Note 1)	Approximate shareholding percentage (Note 2) %	Number of Shares (Note 1)	Approximate shareholding percentage (Note 2) %
Wei Shaojun and his associates (Note 3)	856,027,268 (L)	57.66	856,027,268 (L)	54.41
China Create Capital Limited	160,090,000 (L)	10.78	160,090,000 (L)	10.17
Yuen Chi Ping	66,093,331 (L)	4.45	66,093,331 (L)	4.20
Other Shareholders	402,393,401 (L)	27.11	402,393,401 (L)	25.58
The Vendor	0	0.00	88,800,000	5.64
Total issued shares	<u>1,484,604,000</u>	<u>100.00</u>	<u>1,573,404,000</u>	<u>100.00</u>

Notes:

1. The letter “L” denotes long position.
2. The percentages set out herein represent the rounding of figures to two decimal places.

3. According to the disclosure of interest forms published on the website of the Stock Exchange, these 856,027,268 Shares are held (i) as to 419,954,756 Shares by Lightway Power Holdings Limited (“**Lightway**”), which is wholly owned by Global Capital Alliance Limited, a company beneficially and wholly owned by Mr. Wei Shaojun (“**Mr. Wei**”); (ii) 13,200,000 Shares by Harvest Oak Holdings Limited (“**Harvest**”), a company beneficially and wholly owned by Mr. Wei; and (iii) as to 422,872,512 Shares by Longevity Investment Holding Limited (“**Longevity**”). Longevity is wholly owned by King River Developments Limited which is wholly owned by BNP Paribas Singapore Trust Corporation Limited as the trustee for the discretionary trust set up by Mr. Wei as founder. Therefore, Mr. Wei, (a) as the beneficial owner of Lightway and Harvest, is taken to be interested in the 419,954,756 Shares held by Lightway and 13,200,000 Shares held by Harvest pursuant to Part XV of the SFO; and (b) as the founder of the discretionary trust, is taken to be interested in the 422,872,512 Shares held by Longevity pursuant to Part XV of the SFO.

INFORMATION OF THE VENDOR

The Vendor is principally engaged in the businesses of wind power generation and is continuing to search for investment opportunities in the energy sectors.

As at the date of this Announcement, the Vendor directly holds the entire issued share capital of the Target Company. To the best of the Directors’ knowledge, information and belief after making all reasonable enquiries, the Vendor is independent of and not connected with the Company and its connected persons.

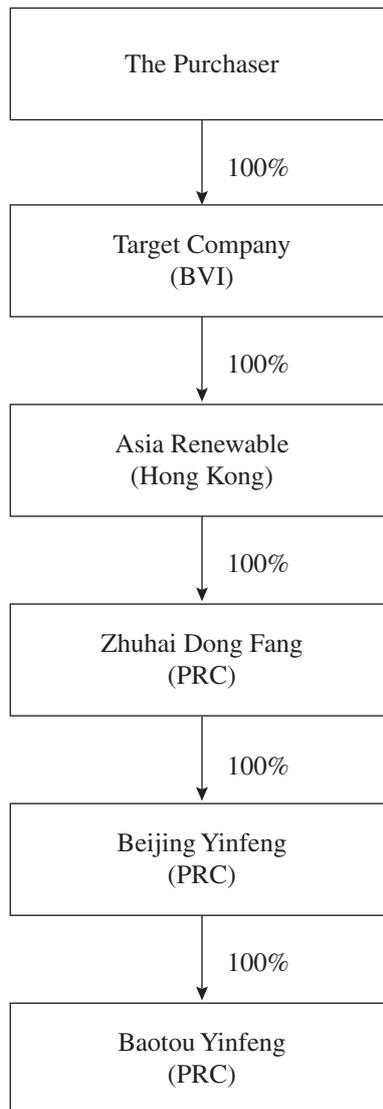
INFORMATION OF THE TARGET COMPANY AND TARGET SUBSIDIARIES

The Target Company is an investment holding company incorporated with limited liability under the laws of BVI with one issued share of US\$1, which has been fully paid-up and is beneficially owned by the Vendor.

The Target Group is a group of companies with investment holding and wind farm operation business.

Baotou Yinfeng is principally engaged in the investment, development, construction and operation of environmental protection industry projects relating to power and energy in the PRC. Currently, it owns the development, construction and operational rights of the Target Project, a planned installable capacity of 200MW wind power project located in Baotou City, Inner Mongolia Autonomous Region, the PRC, and the first phase of which is expected to commence on-grid power generation by the end of December 2018.

Upon Completion, the Company will hold directly the entire equity interest in the Target Company, and indirectly own the entire equity interest in Baotou Yinfeng and the development and operational rights of the Target Project. Upon Completion, all members of the Target Group will become subsidiaries of the Group, and the financial statements of the Target Group will be consolidated with the accounts of the Group. Set out below is the shareholding structure of the Target Company upon Completion:



Financial information of the Target Group

The Adjusted Net Asset Value of the Target Group as at 31 October 2018 will be approximately RMB165,000,000. The unaudited consolidated financial results of the Target Group for the two years ended 31 December 2016 and 2017 are as follows:

	For the year ended	
	31 December	
	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net profit/(loss) before tax	(3,379)	(7,632)
Net profit/(loss) after tax	(3,379)	(7,632)

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in smart energy and solar energy businesses, and public infrastructure construction and the related preliminary investment and post construction operation management, with gradual expansion and diversification to other clean energy business.

The Transaction is an extension and enlargement of the Group's investment and layout in the clean energy and smart energy sectors in the PRC. The Transaction helps the Group acquire high quality wind power projects and obtain stable income and profit sources in the future. The Consideration will be satisfied by the Company issuing the Convertible Bond to the Vendor at Completion, which saves the financial resources of the Company.

The Directors consider that the terms of the Sale and Purchase Agreement were concluded after arm's length negotiations and on normal commercial terms, and the Transaction is in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Sale and Purchase Agreement and the Transaction contemplated thereunder exceed 5% but less than 25% and the Consideration shall be satisfied by way of issue of Convertible Bond, the Sale and Purchase Agreement and the Transaction contemplated thereunder constitute discloseable transaction of the Company and is subject to the reporting and Announcement requirements but exempted from Shareholders' approval under Chapter 14 of the Listing Rules.

WARNING

Completion is subject to the fulfilment or waiver of the conditions precedent under the Sale and Purchase Agreement. As the Transaction may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this Announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Adjusted Net Asset Value”	the adjusted unaudited consolidated net asset value of the Target Group as at 31 October 2018, being approximately RMB165,000,000 (equivalent to approximately HK\$185,871,512 using the exchange rate of HK\$1=RMB0.88771 as quoted by the Bank of China on 31 October 2018), to be adjusted by the debt restructuring and financial arrangements of the loan agreements as mentioned in the conditions precedent in the Sale and Purchase Agreement
“Baotou Yinfeng”	Baotou City Yinfeng Huili New Energy Investment Limited (包頭市銀風匯利新能源投資有限公司), a company incorporated under the laws of the PRC with limited liability

“Beijing Sifang”	Beijing Sifang Zhiyuan Technology Co., Ltd. (北京四方智遠科技有限公司), a company incorporated under the laws of the PRC with limited liability, which is a contractor to Baotou Yinfeng
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bond
“Business Day(s)”	a day on which banks in Hong Kong are open for business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon
“BVI”	the British Virgin Islands
“Company”	LongiTech Smart Energy Holding Limited (隆基泰和智慧能源控股有限公司), a company incorporated with limited liability under the laws of the Cayman Islands, with the Shares listed on the Main Board of the Stock Exchange (Stock Code: 1281)
“Completion”	completion of the Transaction under the Sale and Purchase Agreement
“Completion Date”	any day within three (3) Business Day after fulfilment (or waiver where applicable) of all conditions precedent under the Sale and Purchase Agreement or such later date as may be agreed by the Purchaser and the Vendor in writing
“connected person(s)”	has the meaning ascribed to such term under the Listing Rules
“Consideration”	the consideration payable by the Purchaser for the Transaction

“Convertible Bond Instrument”	the convertible bond instrument to be executed upon Completion which constitutes the Convertible Bond
“Convertible Bond”	the convertible bond in the principal amount of HK\$195,360,000 to be issued by the Company to the Vendor as the Consideration for the Transaction and are convertible into Conversion Shares at an initial conversion price of HK\$2.20 per Conversion Share pursuant to the terms and conditions of the Sale and Purchase Agreement
“Conversion Price”	the price at which the Conversion Shares will be issued upon conversion and will initially be HK\$2.20 per Conversion Share (subject to adjustments)
“Conversion Rights”	the rights attached to the Convertible Bond to convert the principal amount thereof into Conversion Shares
“Conversion Share(s)”	the Share(s) to be allotted and issued upon exercise of the rights attached to the Convertible Bond to convert the principal amount of the Convertible Bond into Shares pursuant to the terms and conditions of the Convertible Bond
“Directors”	the Directors of the Company
“Early Redemption Price”	the redemption price payable by the Company for the early redemption initiated by the Company pursuant to the Convertible Bond Instrument
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 12 June 2018 to allot, issue and deal with new Shares of not exceeding 20% of the aggregate number of Shares in issue as at the date of passing of the relevant resolution
“Group”	the Company and its Subsidiaries

“Hebei Hongsong”	Hebei Hongsong Wind Power Co., Limited (河北紅松風力發電股份有限公司), a company incorporated under the laws of the PRC with limited liability, which is an indirectly non-wholly owned subsidiary of the Vendor
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“kWh”	kilowatt-hour
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means 20 November 2018 or such other date as the Vendor and the Purchaser otherwise agree in writing
“Mr. Cao”	Mr. Cao Yang, the legal representative and the executive director of Baotou Yinfeng
“MW”	megawatt
“Outstanding Bond”	means the Convertible Bond issued other than redeemed or converted
“PRC”	the People’s Republic of China
“Purchaser”	Longe International Investment Limited, a company incorporated under the laws of BVI with limited liability, being a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 7 November 2018 entered into between the Purchaser, the Vendor, the Warrantor and the Company in relation to the Transaction

“Subsidiary(ies)”	Subsidiary company of the Company
“Sale Share(s)”	the shares of the Target Company held by the Vendor representing the entire issued share capital of the Target Company on the Completion Date
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Codes”	The Codes on Takeovers and Mergers and Share Buy-backs
“Target Company	Sino Renewable Energy Investment Limited, a company incorporated under the laws of BVI with limited liability
“Target Group”	means Target Company and Target Subsidiaries
“Target Project”	Baotou Damaoqi Bailingmiao Wind Farm Project located in Baotou City, Inner Mongolia Autonomous Region, the PRC. It is a wind power project with a planned installable capacity of 200MW. The first phase of the project (49.8MW) is located near Talingong of Damaoqi, which is expected to commence on-grid power generation by the end of December 2018.
“Target Subsidiaries”	means Asia Renewable Energy Company Limited (亞洲再生能源有限公司) (“ Asia Renewable ”), Zhuhai Dong Fang Renewable Energy Limited (珠海東方再生能源有限公司) (“ Zhuhai Dong Fang ”), Beijing Yin Feng Hui Li Investment Limited (北京銀風匯利投資有限公司) (“ Beijing Yinfeng ”) and Baotou Yinfeng

“Trading Day(s)”	means a day when the Stock Exchange is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days
“Transaction”	including but not limited to the transfer of the Sale Shares under the Sale and Purchase Agreement, the execution of the Convertible Bond Instrument and the issuance of the Convertible Bond
“US\$”	US dollar(s), the lawful currency of the United States of America
“Vendor”	China Ruifeng Renewable Energy Holdings Limited (中國瑞風新能源控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, with its shares listed on the Main Board of the Stock Exchange (Stock Code: 527)
“Warrantor”	namely Suzlon Energy (Tianjin) Company Limited (蘇司蘭能源(天津)有限公司), a company incorporated under the laws of the PRC with limited liability, which is a supplier to Baotou Yinfeng
“%”	per cent

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

Beijing, 7 November 2018

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.