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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)

MAJOR AND CONNECTED TRANSACTION

THE TRANSACTION

On 22 August 2018 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor under which the Purchaser has conditionally agreed to acquire the Sale Asset from the Vendor at the consideration of RMB30 million.

The Sale Asset is a 10.2 MW distributed solar power station located at the Lightway Industrial Park in Hebei, the PRC.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition, when aggregated with the previous acquisitions of the Company since 10 March 2016, exceeds 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Vendor is a wholly-owned subsidiary of Lightway Green Energy, a company held as to approximately 69% by Mr. Wei Qiang, an executive Director and a chief executive officer of the Company, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to the approval by the Independent Shareholders at the EGM by way of poll.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder.

Giraffe Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details about the Acquisition; (ii) the recommendations of the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from the independent financial advisor to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) the notice convening the EGM, will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules. The Company expects that the circular will be dispatched to the Shareholders on or before Wednesday, 12 September 2018.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the conditions precedent set out in the Agreement and therefore may or may not occur. As the Acquisition may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE ACQUISITION

The Board announces that on 22 August 2018 (after trading hours), the Purchaser has entered into the Agreement with the Vendor in relation to the Acquisition.

The Agreement

Date

22 August 2018 (after trading hours)

Parties

- (1) Purchaser: 高碑店市光碩新能源有限責任公司 (Gao Bei Dian City Guangshuo New Energy Co., Ltd.*), an indirect wholly owned subsidiary of the Company; and
- (2) Vendor: 保定光為綠色能源科技有限公司 (Baoding Lightway Green Energy Technology Co., Ltd.*).

Subject matter

The Purchaser has conditionally agreed to acquire from the Vendor and the Vendor has conditionally agreed to sell to the Purchaser the Sale Asset, which is the ownership and operation right to a 10.2 MW distributed solar power station located at the Lightway Industrial Park, Hebei Province, the PRC.

Consideration

The consideration for the Acquisition is RMB30 million, which was determined by the parties after arm's length negotiations with reference to the preliminary Appraised Value of the Sale Asset as determined by an independent valuer. The consideration and the relevant value added tax will be payable by the Purchaser in one lump sum on the date of Completion.

A full valuation report on the Sale Asset will be prepared for inclusion in the circular to be despatched to the Shareholders.

Conditions Precedent

Completion will be conditional upon the satisfaction of the following conditions:

- (a) the board of directors of the Vendor having approved the transactions contemplated under the Agreement; and
- (b) the Independent Shareholders having approved the Acquisition at an extraordinary general meeting of the Company.

Completion

Completion will take place within three business days following the date on which condition (b) as set out above have been satisfied.

INFORMATION ON THE SALE ASSET

The Sale Asset is a 10.2 MW distributed solar power station located at the Lightway Industrial Park, Hebei Province, the PRC. The power station has been connected to the power grid since January 2014 and has been operating normally since then.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Sale Asset has been occupied by the Vendor for self-use for the three preceding financial years, during which the Sale Asset has not generated any revenue with identification income stream. On this basis, the Board considers that the Sale Asset is not a revenue-generating asset under Rule 14.67(6)(b)(i) of the Listing Rules.

For the three years ended 31 December 2015, 2016 and 2017, the Sale Asset generated approximately 10,640,000kWh, 10,674,000 kWh and 10,750,000kWh of power, respectively.

As advised by the Vendor, the original installment cost of the Sale Asset was approximately RMB71,377,000. The net assets value of the Sale Asset was RMB54,795,000 as at 31 July 2018.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in the smart energy and solar energy businesses, and public infrastructure construction and the related preliminary investment and post construction operation management.

The Acquisition is an extension and enlargement of the Group's solar energy business in the PRC.

The Group's solar energy business currently includes distributed solar power stations and home photovoltaic system. The Sale Asset is a 10.2 MW distributed solar power station located at the Lightway Industrial Park, Hebei Province, the PRC, which will enhance the geographical coverage of the Group's solar power stations and generate stable earnings and cash flow and complement the Group's solar energy business.

The Directors are of the view that the Agreement was entered into on normal commercial terms and the terms of the Acquisition are fair and reasonable and in the interests of the Company and Shareholders as a whole. The views of the Independent Board Committee, after considering the advices of the independent financial adviser, will be set out in the circular of the Company.

INFORMATION ON THE PARTIES

The Purchaser is an indirect wholly owned subsidiary of the Company which is principally engaged in the developing and operating of solar power stations.

The Vendor is a wholly owned subsidiary of Lightway Green Energy, a company established in the PRC which is principally engaged in the production and sale of solar modules. Lightway Green Energy is held as to approximately 69% by Mr. Wei Qiang, an executive Director and a chief executive officer of the Company. Accordingly, the Vendor is a connected person of the Company.

POST-COMPLETION TRANSACTIONS

Under the terms of the Agreement, the Purchaser will: (i) lease the roof tops and other operation spaces in connection with the Sale Assets from the Vendor (the “Roof Top Leasing”); and (ii) supply electricity to the Vendor (the “Electricity Supply”) upon Completion. The Vendor and the Purchaser agreed in principle that no rent shall be charged by the Vendor in respect of the Roof Top Leasing. The terms of the Electricity Supply will be detailed in a separate agreement. The price of the Electricity Supply will be agreed by the parties and will be based on the unit price per kWh as published by the Provincial Price Bureau of the PRC where the power station is located (which is subject to adjustment from time to time). The Vendor has undertaken to the Purchaser that its minimum usage shall not be less than 10 million kWh per annum and the Purchaser shall have the right to seek compensation from the Vendor if the actual usage has fallen short of the guaranteed level of demand.

The Electricity Supply shall fall within the scope of the continuing connected transactions contemplated under the master agreement dated 10 July 2017 entered into between, among others, the Purchaser and the Lightway Green Energy, as disclosed in the announcement of the Company dated 10 July 2017. The fees payable by the Purchaser in relation to the Electricity Supply will be subject to the annual caps as disclosed in that announcement.

The Company will comply with the requirements of the Listing Rules as necessary when definitive agreement with respect to the Electricity Supply is entered into.

LISTING RULES IMPLICATIONS

The Acquisition itself does not constitute a notifiable transaction for the Company.

As disclosed in the listing document of the Company for the Rights Issue carried out in March 2018, when the proceeds from the Rights Issue is used for acquisitions related to smart energy and solar energy businesses, such acquisitions would need to be aggregated with the acquisitions of the Company in such smart energy and solar energy businesses since 10 March 2016 and comply with the applicable requirements under the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition, when aggregated with the previous acquisitions of the Company since 10 March 2016, exceeds 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Vendor is a wholly-owned subsidiary of Lightway Green Energy, a company held as to approximately 69% by Mr. Wei Qiang, an executive Director and a chief executive officer of the Company, the Acquisition also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules which is subject to the approval by the Independent Shareholders at the EGM by way of poll.

GENERAL

At the Board meeting held to approve the Acquisition, Mr. Wei Qiang and Mr. Wei Shaojun were considered to be interested in the transactions contemplated thereunder and have abstained from voting in respect of the resolution proposed to approve the Acquisition.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder.

Giraffe Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details about the Acquisition; (ii) the recommendations of the Independent Board Committee in relation to the Acquisition; (iii) a letter of advice from the independent financial advisor to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) the notice convening the EGM, will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules. The Company expects that the circular will be dispatched to the Shareholders on or before Wednesday, 12 September 2018.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the conditions precedent set out in the Agreement and therefore may or may not occur. As the Acquisition may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions will have the following respective meanings:

“Acquisition”	the proposed acquisition of the Sale Asset by the Purchaser;
“Agreement”	the agreement dated 22 August 2018 between the Purchaser and the Vendor;
“Appraised Value”	the appraised value of the Sale Asset as at 31 July 2018 as determined by an independent third party professional valuer;
“associate”	has the meaning ascribed to it under the Listing Rules;
“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 of Hong Kong;
“Completion”	completion of the Acquisition;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Acquisition;

“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the terms of the Agreement and the transactions contemplated thereunder;
“Independent Shareholders”	the Shareholders other than Mr. Wei Qiang and his associates;
“kWh”	kilowatt-hour;
“Lightway Green Energy”	光為綠色能源科技有限公司 (Lightway Green Energy Technology Co., Ltd.*), a limited liability company established in the PRC, the holding company of the Vendor;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MW”	megawatt;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan;
“Purchaser”	高碑店市光碩新能源有限責任公司 (Gao Bei Dian City Guangshuo New Energy Co., Ltd.*), a limited liability company established in the PRC;

“Rights Issue”	the rights issue of the Company carried out in March 2018 on the basis of one rights share for every two Shares held;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Asset”	a 10.2 MW distributed solar power station located at the Lightway Industrial Park, Hebei Province, the PRC;
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company;
“Shareholders”	holders of the Shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Vendor”	保定光為綠色能源科技有限公司 (Baoding Lightway Green Energy Technology Co., Ltd.*), a limited liability company established in the PRC.

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

22 August 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.

* For identification purpose only