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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)

INSIDE INFORMATION FURTHER AGREEMENT IN RESPECT OF THE POTENTIAL ACQUISITION

This announcement is made by LongiTech Smart Energy Holding Limited (the “**Company**”) pursuant to the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

Reference is made to the announcement of the Company dated 19 May 2019 in relation to the Potential Acquisition (the “**LOI Announcement**”). Terms used herein should have the same meanings as those in the LOI Announcement unless otherwise defined herein.

On 31 May 2019, the Company entered into a further agreement (the “**Further Agreement**”) with the Seller to set out certain principal terms upon which the parties will proceed with the Potential Acquisition as summarised below:

Consideration

The consideration is subject to a due diligence exercise on the Target Company by the Company and is preliminary estimated based on the future cashflow of the Target Company to be a sum of HK\$600,000,000, of which it is intended that no less than HK\$150,000,000 shall be paid through the issuance of shares of the Company at a cost basis of fair market value to be agreed between the parties.

The exact amount and ratio on the cash and consideration shares and the schedule of payment of the consideration will be determined by the parties subsequent to the Due Diligence Period (as defined below).

Due Diligence Period and Termination

The Company will have the right to conduct technical, financial, tax, accounting and legal due diligence on the Target Company for a period of 30 calendar days from the date of the Further Agreement (the “**Due Diligence Period**”).

On or before the expiration of the Due Diligence Period, the Company shall deliver a written notice to the Seller specifying either (i) the Company is satisfied with such due diligence review and elects to proceed with the Potential Acquisition; or (ii) the Company is not satisfied with such due diligence review and elects not to proceed with the Potential Acquisition.

Should the Company fail to deliver such notice on or before the expiration of the Due Diligence Period, the Company shall be deemed to have elected to terminate the Potential Acquisition.

If the Further Agreement is terminated as such, neither party shall have any rights or obligations thereunder nor bear any liabilities or compensations for this (except for the confidentiality).

Target Assets proposed to be Acquired

The Target Company, being the operator of the project, owns 100% interest of foreign contractor in the product sharing contract of the Kongnan block, Dagang Oilfield (大港油田孔南區塊產品分成合同). The Kongnan block (孔南區塊) is located in the largest oil production basin in China — Southern Bohai Basin (渤海盆地南部). The Kongnan (孔南) block project involved in this transaction mainly includes three blocks, namely Duannan (段南), West Xiepo (西斜坡), and Xiaoji (小集), among which the Duannan (段南) block is the main production block. The project of Kongnan (孔南) block is a mature oil field with relatively assured geological reserves which commenced the commercial development in 2009.

The Board is of the view that the Potential Acquisition is expected to be a good opportunity for the Group to explore the acquisitions of quality assets relating to oil and gas. Through such acquisitions, the Company will be able to build management and development teams specialising in oil and gas field, and accumulate experience in resource development of domestic oil and gas, which will be conducive to expanding the overall scale of operations of the Company and in turn to achieve economies of scale.

LISTING RULES IMPLICATIONS ON THE POTENTIAL ACQUISITION

As the applicable ratios in respect of the Potential Acquisition are expected to be more than 25% and a possible issuance of consideration shares of the Company, the Company will comply with the relevant requirements under the Listing Rules once the Company is satisfied with such due diligence review and elects to proceed with the Potential Acquisition by the Definitive Agreement.

GENERAL

The Potential Acquisition may or may not materialise, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

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

Hebei, 31 May 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.