隆基泰和智慧能源
LONGITECH SMART ENERGY

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)

PROFIT WARNING

This announcement is made by LongiTech Smart Energy Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the "**Board**") of directors (the "**Directors**") of the Company informs the shareholders of the Company (the "**Shareholders**") and potential investors that, based on the preliminary review of the unaudited consolidated management account of the Group for the year ended 31 December 2019 (the "**Year 2019**") and the information currently available to the Group, the Group is expected to record a decrease of approximately 83% in revenue for the Year 2019 as compared to the year ended 31 December 2018 (the "**Year 2018**"), and a net loss of approximately RMB250 million to RMB270 million attributable to owners of the Company in the Year 2019 while there was a net profit attributable to owners of the Company in the Year 2018.

According to the information currently available to the Board, the Group's substantial decrease in the revenue and turning from profit to loss in the Year 2019 is mainly attributed to the following factors:

(i) With respect to the home photovoltaic system business, the national policy in 2018 has a continuous effect on the photovoltaic industry. The government promulgated the policy on subsidies to photovoltaic business (including home photovoltaic system) in 2019, however the policy was implemented at a later time with effect from 1 July 2019, which substantially reduced the subsidy level and implemented quota control. The quota for subsidy in the home photovoltaic industry in 2019 had been used out in October 2019. As the substantial deduction in subsidies, the profit margin was limited. During this period, the Group mainly focused on cleaning out inventories of its home photovoltaic business in the Year 2018 with limited business exploration. This is expected to result in a substantial decrease in revenue and profit generated from the Group's home photovoltaic system business in the Year 2019.

In addition, the above-mentioned national policy on the photovoltaic industry has substantial adverse impact on the distributors of the Group's home photovoltaic business. To be prudent and after a preliminary assessment made by the Company's management, a provision of approximately RMB157 million is expected to be made to the trade receivables in the Year 2019 in the home photovoltaic system business, which is expected to lead to an equivalent direct reduction in the Group's profit before income tax for the Year 2019.

(ii) With respect to the public infrastructure construction business, the progress of the preliminary development of the Group's Baoding Donghu Project was slow down in the Year 2019 as affected by progress of the government's land acquisition and planning. Meanwhile, the construction of the tendered public infrastructure projects was close to complete, while the unbid projects have not yet commenced construction, which results in basically no new investment in the Baoding Donghu Project in the Year 2019, thus failing to bring revenue and profits to the Group in the Year 2019.

Meanwhile, due to the adjustment of taxes and fees and late settlement of the Baoding Donghu Project by the Baoding Government, provisions in respect of the tax cost, some expenses, related income and management expenses of the Group recorded in the previous years are required to be made in the Group's 2019 financial statements. It is expected that the Group's profit before income tax in the Year 2019 will be directly reduced by approximately RMB48 million.

(iii) With respect to the financial assets formed during the investment process with independent third parties and investments in associates in the Year 2018, due to delays in repayment and other uncertain factors, after preliminary assessment by the management, it is expected that a provision of approximately RMB100 million will be made for financial assets and investments in associates, and is expected to result in an equivalent loss before income tax.

As the Company is still in the process of preparing and finalising the annual results for the Year 2019, the information contained in this announcement is only a preliminary assessment made by the Board and the Company's management based on a preliminary review of the unaudited consolidated management account of the Group for the Year 2019 and the information currently available to the Group, which has not been audited nor confirmed by the auditors or the audit committee of the Company, and is subject to finalisation and adjustments. The results announcement for the Year 2019 of the Group is expected to be published by the end of Marth 2020.

The Shareholders and the potential investors of the Company should exercise caution when dealing in the shares of the Company.

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

Hebei, 21 January 2020

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.