

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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
SETTLEMENT ARRANGEMENT IN RELATION TO
THE EXERCISE OF PUT OPTION**

References are made to the announcements of the Company dated 26 July 2018, 29 March 2019 and 13 December 2019 in relation to the Acquisition Agreement and the exercise of the Put Option.

THE SETTLEMENT AGREEMENT

On 10 August 2020, in order to settle the outstanding consideration under the Repurchase Agreement, Shengli Oilfield Lifeng, Shandong Hailifeng and Shengfeng Heating entered into the Settlement Agreement with Beijing Longguang (a wholly-owned subsidiary of the Company), pursuant to which Shengli Oilfield Lifeng and Shandong Hailifeng agreed to settle the Debt by way of Shandong Hailifeng transferring 90% of the interest in Shengfeng Heating held by it to Beijing Longguang at the consideration of RMB60,000,000.

LISTING RULES IMPLICATIONS

The proposed settlement by way of transferring the 90% equity interest of Shengfeng Heating to Beijing Longguang constitutes an acquisition by the Company under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transfer exceeds 5% and are below 25%, the Transfer constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

References are made to the announcements of the Company dated 26 July 2018, 29 March 2019 and 13 December 2019.

On 26 July 2018, Beijing Longguang, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement to acquire a 40% interest in Shandong Hailifeng with a view to use the Shandong Hailifeng as a platform to develop geothermal and waste heat resources to participate in the coal-to-clean energy market in Northern China. Under the Acquisition Agreement, Shengli Oilfield Lifeng has provide certain performance undertakings under which it has undertaken and warranted that the audited consolidated net profit attributable to the owners of Shandong Hailifeng for the financial years of 2018 and 2019 shall not be less than RMB60,000,000 and RMB80,000,000, respectively. If the aggregated audited consolidated net profit attributable to the owners of Shandong Hailifeng for the financial years of 2018 and 2019 is less that RMB140,000,000 or the net profit attributable to the owners of Shandong Hailifeng for the financial year of 2018 is less than RMB25,000,000, Beijing Longguang shall have the right to require Shengli Oilfield Lifeng to repurchase the 40% equity interest held by Beijing Longguang in Shandong Hailifeng pursuant to the terms and conditions of the Acquisition Agreement.

As Shandong Hailifeng failed to meet its performance target, Beijing Longguang elected to exercise the Put Option and requested Shengli Oilfield Lifeng to repurchase the 40% interest in Shandong Hailifeng. The Repurchase Agreement was entered into on 29 March 2019 under which Shengli Oilfield Lifeng agreed to repurchase the 40% interest in Shandong Hailifeng for an aggregate consideration of RMB60,000,001. In addition, Beijing Longguang is entitled to the distributable profit of Shandong Hailifeng of RMB16,000,000 for 2018 in accordance with the terms of the Repurchase Agreement and the Acquisition Agreement.

As at the date of this announcement, Beijing Longguang has only received the distributable profit of RMB16,000,000; while consideration for the 40% equity interest in Shandong Hailifeng in the amount of RMB60,000,001 remains outstanding and has not been paid. On November 2019, Beijing Longguang initiated proceedings at the Beijing No. 2 Intermediate People's Court against Shengli Oilfield Lifeng and Shandong Hailifeng.

On 10 August 2020, Beijing Longguang, Shandong Hailifeng, Shengli Oilfield Lifeng and Shengfeng Heating entered into the Settlement Agreement to settle the Debt by way of Shandong Hailifeng transferring 90% of the interest in Shengfeng Heating held by it to Beijing Longguang.

The salient terms of the Settlement Agreement are summarised below:

THE SETTLEMENT AGREEMENT

Date: 10 August 2020

Parties:

- (1) Beijing Longguang;
- (2) Shandong Hailifeng;
- (3) Shengli Oilfield Lifeng; and
- (4) Shengfeng Heating.

Subject matter

Shandong Hailifeng shall transfer 90% of the equity interest in Shengfeng Heating to Beijing Longguang as settlement for the Debt.

Consideration

The aggregate consideration for the transfer of the 90% equity interest in Shengfeng Heating to Beijing Longguang is RMB60,000,000.

The consideration was determined after arm's length negotiations with reference to the appraised value of Shengfeng Heating as determined by an independent valuer in the amount of approximately RMB68,270,000 as at 31 March 2020 based on the asset approach, as adjusted by the subsequent debt restructuring of Shengfeng Heating, and the growth potential of Shengfeng Heating.

Conditions to the Settlement

Completion of the Settlement is conditional upon the satisfaction of the following conditions:

- (1) the Settlement Agreement having been executed and became effective;
- (2) each of the parties to the Settlement Agreement having obtained approval from its board of directors or shareholders for the transactions contemplated under the Settlement Agreement;
- (3) the representations and declarations made by Shandong Hailifeng, Shengli Oilfield Lifeng and Shengfeng Heating under the Settlement Agreement remaining true, accurate and complete on the date of the Settlement Agreement and at closing;

- (4) there does not exist any claim or order from any third party against Shandong Hailifeng, Shengli Oilfield Lifeng and Shengfeng Heating that would restrict the transactions contemplated under the Settlement Agreement, or would have a material adverse effect on the transactions contemplated under the Settlement Agreement, or would render the transactions under the Settlement Agreement becoming ineffective or illegal;
- (5) the parties having completed the procedures for the Transfer and delivery;
- (6) Shandong Hailifeng and Shengli Oilfield Lifeng having caused Shengfeng Heating to register Beijing Longguang as the holder of 90% of the equity in Shengfeng Heating; the new business license of Shengfeng Heating having been obtained; and the new articles of association Shengfeng Heating having been filed;
- (7) Shandong Hailifeng and Shengli Oilfield Lifeng having caused Shengfeng Heating to entered into a heating contract of not less than 5-year term with 國能壘利生物發電有限公司 (National Energy Kenli Biological Power Co., Ltd.*) for the supply of heat to 東營西郊現代服務區 (Dongying Xijiao Modern Service Area*) on terms acceptable to Beijing Longguang;
- (8) Shandong Hailifeng and Shengli Oilfield Lifeng having caused Shengfeng Heating to enter into a heat supply contract with 東營東營區海利豐供熱有限公司 (Dongying Dongying District Hailifeng Heat Supply Co., Ltd.*) for 東營辛店片區 (Dongying Xindian Area*) on terms acceptable to Beijing Longguang;
- (9) Shandong Hailifeng and Shengli Oilfield Lifeng having caused Shengfeng Heating to enter into termination agreements with 東營市亞凱工貿有限公司 (Dongying Yahai Industrial Trading Co., Ltd.*) and 濟南浩霖保溫材料有限公司 (Jinan Haolin Insulated Materials Co., Ltd.*), and Shengfeng Heating shall not be required to provide any indemnity for the termination; and
- (10) Shengfeng Heating has not incurred any additional debts or entered into agreement that will incur debt from 31 March 2020 to the completion of Transfer and delivery, or such additional debts and agreement have been confirmed and recognized by Beijing Longguang.

Completion of the Settlement

If the Settlement Agreement has not become effective or the conditions to the Settlement are not satisfied by 25 August 2020, Beijing Longguang shall have the right to terminate the Settlement Agreement and require Shandong Hailifeng and Shengli Oilfield Lifeng to continue to discharge their obligations under the Repurchase Agreement.

The parties agreed that upon the satisfaction of all the conditions to the Settlement, the Debt and any incurred penalty under the Repurchase Agreement shall deem to be offset and waived respectively.

Completion of the Transfer

Completion of the Transfer shall take place within 10 business days of the Settlement Agreement becoming effective.

Information on Shengfeng Heating

Shengfeng Heating is a limited liability company established in the PRC in November 2015. It has a registered capital of RMB30,185,065 and is wholly owned by Shandong Hailifeng. Shengfeng Heating is principally engaged in the provision of heating services in Dongying City, Shandong province.

The net asset value of the Shengfeng Heating was approximately RMB19,845,946 as at 31 March 2020 as adjusted by the subsequent debt restructuring of Shengfeng Heating. The profits of Shengfeng Heating for the two years ended 31 December 2018 and 2019 respectively are as follows:

	For the year ended 31 December	
	2018	2019
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	(1,511)	(1,932)
Net profit after tax	(1,511)	(1,932)

Upon completion of the Transfer, Shengfeng Heating will be owned as to 90% by the Group and as to 10% by Shandong Hailifeng. Notwithstanding that Shengfeng Heating will be owned as to 90% by the Group, the Company currently considered that the Transfer is in order to settle the Debt and therefore, Shengfeng Heating shall not be accounted as a subsidiary of the Group and its results shall not be consolidated in the financial statements of the Company.

The Group made impairment provision of RMB15,162,000 for the receivable relating to investment in Shandong Hailifeng in the financial year of 2019. The management of the Company will review the amount of the provision based on the performance of the Settlement Agreement, and such effect will be reflected in the next financial statement as appropriate.

Other terms of the Settlement Agreement

Withdrawal of the proceedings against Shandong Hailifeng and Shengli Oilfield Lifeng

Beijing Longguang shall, within 3 business days of the completion of the Settlement, apply to the Beijing No. 2 Intermediate People's Court to withdraw its proceedings against Shengli Oilfield Lifeng and Shandong Hailifeng.

Beijing Longguang shall, within 7 business days of the completion of the Settlement, transfer its 40% equity interests in Shandong Hailifeng to Shengli Oilfield Lifeng.

Performance undertaking and put option

Shandong Hailifeng has undertaken and warranted to Beijing Longguang that the net profit of the Shengfeng Heating after deducting non-recurring gains and losses for the financial years of 2020 and 2021 shall not be less than RMB5,100,000 and RMB6,500,000 respectively. If the performance target is not met in any financial year, Shandong Hailifeng shall indemnify Beijing Longguang for any shortfall. Shandong Hailifeng shall prior to 31 October of each financial year pay to Beijing Longguang a sum of RMB4,800,000 as security for the performance undertaking for that financial year. Such security amount shall be applied to set-off any shortfall in the financial year.

If (a) the above-mentioned performance target is not met for two consecutive financial years, or (b) upon completion of the Transfer and before 30 June 2022, Beijing Longguang failed to transfer its equity interests in Shengfeng Heating to a third party, Beijing Longguang shall have the right to require Shandong Hailifeng or Shengli Oilfield Lifeng to repurchase the equity interest held by Beijing Longguang in Shengfeng Heating for a consideration of RMB60,000,000 before 30 September 2022.

Subsequent disposal of the interest in Shengfeng Heating

If Beijing Longguang shall dispose of its interest in Shengfeng Heating at a consideration which is lower than RMB60,000,000, Shengli Oilfield Lifeng shall indemnify Beijing Longguang for any shortfall in consideration. Shandong Hailifeng and Shengli Oilfield Lifeng shall have the right of first refusal to purchase such interest under the same terms.

If Beijing Longguang shall dispose of its interest in Shengfeng Heating at a consideration which is lower than RMB40,000,000 prior to 30 September 2022, it must first obtain the prior consent of Shandong Hailifeng and Shengli Oilfield Lifeng.

If Beijing Longguang transfers its equity interests in Shengfeng Heating to a third party purchaser, Beijing Longguang shall have the drag along right to require Shandong Hailifeng to transfer its 10% interest in Shengfeng Heating to the third party purchaser in accordance with the terms and conditions of the transfer agreed between Beijing Longguang and the third party purchaser. If the selling price for the entire equity interests in Shengfeng Heating is more than RMB60,000,000, RMB60,000,000 of the proceeds will be paid to Beijing Longguang, and any excess amount shall be distributed between Beijing Longguang and Shandong Hailifeng in accordance with their respective shareholding in Shengfeng Heating. If the selling price for the entire equity interests in Shengfeng Heating is less than RMB60,000,000, Shandong Hailifeng shall not be entitled to any of the proceeds from the sale, and Shengli Oilfield Lifeng shall indemnify Beijing Longguang for any difference.

Shares pledge

Shandong Hailifeng and Shengli Oilfield Lifeng have undertaken and warranted that upon the signing of the Settlement Agreement, the following share pledges will be provided in favour of Beijing Longguang as security for the obligations of Shandong Hailifeng and Shengli Oilfield Lifeng under the Settlement Agreement:

- (a) the 49% interest in 山東鈺鑄園林工程有限責任公司 (Shandong Yuhua Gardening Engineering Co., Ltd.*) (“**Yuhua Gardening**”) held by Shengli Oilfield Lifeng;
- (b) the 10% interest in Shengfeng Heating held by Shandong Hailifeng; and
- (c) the 100% interest in 東營東營區海利豐供熱有限公司 (Dongying Dongying District Hailifeng Heat Supply Co., Ltd.*) (“**Dongying Heat Supply**”) held by 喬廣利 (Qiao Guangli) and 朱振營 (Zhu Zengying), who are a senior manager and a minority shareholder of Shandong Hailifeng respectively.

Upon completion of the Transfer and before 30 September 2022, Shengli Oilfield Lifeng shall have an option to pay Beijing Longguang a cash security of RMB20,000,000. Beijing Longguang agreed to release the share pledges in respect of Yuhua Gardening and Dongying Heat Supply upon the receipt of the cash security, and release Shengli Oilfield Lifeng from its obligation to make up the difference if the sale price of Shengfeng Heating is lower than RMB60,000,000.

After Shengli Oilfield Lifeng has paid Beijing Longguang the cash security in accordance with the above arrangement, Shandong Hailifeng agrees that if Beijing Longguang transfers its equity interests in Shengfeng Heating to a third party purchaser, Beijing Longguang shall have the drag along right to require Shandong Hailifeng to transfer its 10% interest in Shengfeng Heating to the third party purchaser in accordance with the terms and conditions of the transfer agreed between Beijing Longguang and the third party purchaser. If the selling price for the entire equity

interests in Shengfeng Heating is more than RMB40,000,000, RMB40,000,000 of the proceeds will be paid to Beijing Longguang, and any excess amount shall be distributed between Beijing Longguang and Shandong Hailifeng in accordance with their respective shareholding in Shengfeng Heating. If the selling price for the entire equity interests in Shengfeng Heating is less than RMB40,000,000, Shandong Hailifeng shall not be entitled to any of the proceeds from the sale.

INFORMATION ON THE PARTIES

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

Beijing Longguang is a limited liability company established in the PRC and is principally engaged in investment holding. It is a wholly-owned subsidiary of the Company.

Shengli Oilfield Lifeng is principally engaged in a range of businesses including new energy applications, oilfield chemicals and technical equipment services, development of eco-development zone, vehicle sales, property development and sales of oil products. To the best knowledge of the Directors, having made all reasonable enquiries, Shengli Oilfield Lifeng and its beneficial owners are independent of and not connected with the Company or any of its connected persons.

Shandong Hailifeng is a joint-stock company established in the PRC in 2005. Shandong Hailifeng and its subsidiaries are principally engaged in the new energy business of development of waste heat and pressure power generation projects, water and heat resource heat pump units, air-cooled heat pump units, low ambient temperature air source heat pump units, sales and designs integration, installation, maintenance and technical services of related operating systems; the provision of heating services and contract energy management services. Shandong Hailifeng is 40% owned by Beijing Longguang.

REASONS FOR ENTERING THE SETTLEMENT AGREEMENT

As the consideration under the Repurchase Agreement remains unpaid, the Settlement Agreement is entered into to settle the Debt owing to the Group.

As the terms of the Settlement Agreement were reached after arm's length negotiations and mitigate the risk of non-recovery of the Debt, the Directors (including the independent non-executive Directors) consider that the terms of the Settlement Agreement were concluded after arm's length negotiations and on normal commercial terms, and the entering into of the Settlement Agreement is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Transfer constitutes an acquisition under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transfer exceeds 5% and are below 25%, the Transfer constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition Agreement”	the agreement dated 26 July 2018 between Beijing Longguang, Shengli Oilfield Lifeng and Shandong Hailifeng in relation to the investment of the Group in Shandong Hailifeng;
“Beijing Longguang”	北京隆光能源科技有限公司 (Beijing Longguang Energy Technology Co., Ltd.*), a wholly-owned subsidiary of the Company;
“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;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Debt”	the outstanding consideration owed by Shengli Oilfield Lifeng and Shandong Hailifeng to Beijing Longguang under the Repurchase Agreement;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Put Option”	the put option granted by Shengli Oilfield Lifeng to Beijing Longguang under which it gives Beijing Longguang the right to require Shengli Oilfield Lifeng to repurchase the interest in Shandong Hailifeng held by Beijing Longguang;
“Repurchase Agreement”	the agreement dated 29 March 2019 between Beijing Longguang, Shengli Oilfield Lifeng and Shandong Hailifeng;
“RMB”	Renminbi, the lawful currency of the PRC;
“Settlement”	the settlement of the Debt owing to Beijing Longguang by Shandong Hailifeng and Shengli Oilfield Lifeng pursuant to the arrangements under the Settlement Agreement;
“Settlement Agreement”	the agreement dated 10 August 2020 between Beijing Longguang, Shengli Oilfield Lifeng, Shandong Hailifeng and Shengfeng Heating;
“Shareholder(s)”	shareholder(s) of the Company;
“Shandong Hailifeng”	山東海利豐清潔能源股份有限公司 (Shandong Hailifeng Clean Energy Joint Stock Co. Ltd.*), a joint stock company incorporated in the PRC;
“Shengfeng Heating”	山東盛豐熱力有限責任公司 (Shandong Shengfeng Heating Co., Ltd.*), a company incorporated in the PRC;
“Shengli Oilfield Lifeng”	勝利油田利豐實業集團有限公司 (Shengli Oilfield Lifeng Industrial Group Co., Ltd.*), a company incorporated in the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Transfer”

the transfer of the 90% equity interest in Shengfeng Heating pursuant to the Settlement Agreement;

“%”

per cent.

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

Hebei, 10 August 2020

As at the date of this announcement, the executive Directors are Mr. Wei Qiang, Mr. Yuen Chi Ping (suspended) and Dr. Liu Zhengang, the non-executive Director is Mr. Wei Shaojun, and the independent non-executive Directors are Mr. Han Qinchun, Mr. Wong Yik Chung John and Mr. Han Xiaoping.

** For identification purpose only*