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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)**

**SUPPLEMENTAL PLACING AGREEMENT  
IN RELATION TO  
PLACING OF NEW SHARES UNDER GENERAL MANDATE**

Reference is made to the announcement of LongiTech Smart Energy Holding Limited (the “**Company**”) dated 27 July 2018 in relation to the proposed placing of new shares of the Company under general mandate (the “**Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the respective meanings as those defined in the Announcement.

**SUPPLEMENTAL PLACING AGREEMENT**

The Board wishes to announce that, after further arms-length discussions between the Company and Golden Rich Securities Limited (the “**Placing Agent**”), the Parties have, on 10 August 2018 (after trading hours), entered into a supplemental agreement to the Placing Agreement (the “**Supplemental Placing Agreement**”) pursuant to which the maximum number of Placing Shares shall be adjusted from 275,684,400 Shares to 128,000,000 Shares (the “**Adjustment**”). Save for the Adjustment, all other terms of the Placing Agreement remain the same as disclosed in the Announcement.

The Directors consider that the terms of the Supplemental Placing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **EFFECT OF THE ADJUSTMENT ON THE SHAREHOLDING STRUCTURE**

The maximum number of Placing Shares after the Adjustment will represent (i) approximately 9.29% of the existing issued share capital of the Company as at the date of this announcement and (ii) approximately 8.50% of the issued share capital of the Company as enlarged by the Placing (assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing).

The shareholding structure of the Company immediately before and after completion of the Placing (taking into account the Adjustment) is set out below.

| <b>Name of Shareholders</b>                       | <b>Immediately before the Placing</b>      |                                                                  | <b>Immediately after the Placing assuming the Placing Shares are fully placed</b> |                                                                  |
|---------------------------------------------------|--------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------|
|                                                   | <b>Number of Shares</b><br><i>(Note 1)</i> | <b>Approximate percentage of shareholding</b><br><i>(Note 2)</i> | <b>Number of Shares</b><br><i>(Note 1)</i>                                        | <b>Approximate percentage of shareholding</b><br><i>(Note 2)</i> |
| Wei Shaojun and his associates<br><i>(Note 3)</i> | 755,346,268 (L)                            | 54.80                                                            | 755,346,268 (L)                                                                   | 50.14                                                            |
| China Create Capital Limited                      | 160,090,000 (L)                            | 11.61                                                            | 160,090,000 (L)                                                                   | 10.63                                                            |
| Yuen Chi Ping                                     | 66,093,331 (L)                             | 4.79                                                             | 66,093,331 (L)                                                                    | 4.39                                                             |
| Other Shareholders<br>(other than the Placees)    | 396,892,401 (L)                            | 28.80                                                            | 396,892,401 (L)                                                                   | 26.34                                                            |
| The Placees                                       | –                                          | –                                                                | 128,000,000                                                                       | 8.50                                                             |
| <b>TOTAL ISSUED SHARES</b>                        | <b>1,378,422,000 (L)</b>                   | <b>100%</b>                                                      | <b>1,506,422,000 (L)</b>                                                          | <b>100%</b>                                                      |

*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 755,346,268 Shares are held (i) as to 319,273,756 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) as to 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 319,273,756 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.

## **IMPACT OF THE ADJUSTMENT ON THE GENERAL MANDATE**

Further to the Adjustment, assuming a maximum of 128,000,000 Placing Shares are issued under the General Mandate, there will remain 147,684,400 Shares available to be issued under the General Mandate after the completion of the Placing.

## **REASONS FOR THE PLACING AND USE OF PROCEEDS FROM THE PLACING**

On the assumption that all Placing Shares (taking into account the Adjustment) are fully placed, the aggregate gross proceeds from the Placing are expected to be HK\$175.36 million and the aggregate net proceeds (after deduction of the fees, commissions and expenses) from the Placing are expected to be approximately HK\$172.3 million.

The Company intends to utilize (i) approximately HK\$89.6 million, representing approximately 52% of the net proceeds from the Placing, for repayment of short-term bank borrowings; (ii) approximately HK\$51.7 million, representing approximately 30% of the net proceeds from the Placing, for investment in financial instruments including but not limited to unlisted or listed investment funds, equity securities, debt instruments, equity-linked notes and other assets (the “**Financial Investments**”); and (iii) the remaining portion of approximately HK\$31.0 million, representing approximately 18% of the net proceeds from the Placing, as general working capital of the Group.

Before the Company entered into the Placing Agreement, the Directors had duly discussed with the Placing Agent on level of the Placing Price with reference to, among others, (i) a number of placings conducted by other market participants recently; (ii) the trading volume of the Shares; and (iii) the prevailing market sentiment, and formed the view that the Placing Price of HK\$1.37, being a discount of approximately 19.88% to the closing price of HK\$1.71 per Share as quoted on the Stock Exchange on the date of the Placing Agreement, i.e. 27 July 2018, is fair and reasonable and in the interest of the Shareholders as a whole. Notwithstanding the Adjustment and the adjusted use of proceeds as disclosed above, such view of the Directors has not changed. The Directors consider that all the three types of intended use are legitimate and justifiable. In particular, the use for Financial Investments is elaborated below.

### **Financial Investments**

As mentioned in the Announcement, the Directors consider that using 30% of the proceeds from the Placing for Financial Investment offers a good opportunity for the Group to, among other things, diversify its existing business and revenue streams. Currently, the Group is principally engaged in the businesses of smart energy and solar energy, public infrastructure construction and related preliminary investment and post-construction operation management. The Group's existing investments primarily consist of long terms projects in the area of smart energy infrastructure constructions, which generally take a longer time to generate positive cash flow. For the year ended 31 December 2017, smart energy and solar energy businesses contributed to 73.1% of the Group's revenue and 87.9% of the Group's profit. In the event that there is any unexpected event that has negative impact on the business and prospect of smart energy industry, the Group's overall business performance could be affected.

In light of above, as part of the Group's development plan and risk control, the Board considers that the inclusion of Financial Investments will help to diversify its asset and investment portfolio and reduce the impact of any market risk on the overall business of the Group. The 30% procced, i.e. approximately HK\$51.7 million, represents approximately 2.3% of the Group's total assets as at 31 December 2017, and it is considered by the Board as a safe and prudent proportion, and a proper starting level, to commence the Financial Investments, taking in account the amount required for the repayment of the loan and the working capital for the operation of the Group.

To achieve the purpose of risk diversification, the strategy of the Group with respect to Financial Investments is not to invest in speculative securities but mainly in lower risk investments, with the initial investments focusing on investment funds managed by qualified and licensed investment managers and which invest in low risk underlying assets with relative low price volatility, higher liquidity, short to medium terms and/or stable income stream.

When a target Financial Investment is identified, the Group would perform due diligence procedures, depending on the nature of the Financial Investment. For instance, in the event the Group invests in an investment fund, it will analyze (i) its historical financial performance where applicable; (ii) the qualification and the track record of the investment manager; and (iii) the underlying assets portfolio of the funds. For each Financial Investment, the Group will set a target return rate, with reference to the market condition, and projected return from other alternative investments that the Group could have conducted else.

The analysis as mentioned above will be provided to the investment committee of the Company (the “**Investment Committee**”) for review and approval. Where necessary, financial and accounting experts will also be retained to assess the impact of the relevant Financial Investment on the financial performance of the Group. The Investment Committee is currently comprised of six members, three of which are the executive Directors, namely Mr. Wei Qiang, Mr. Yuen Chi Ping and Dr. Liu Zhengang. The three executive Directors are actively engaged in the operation of Group’s businesses and are in the best position to make decisions that suit the Group’s overall development.

Among the three executive Directors, Mr. Wei studied at the University of Auckland in New Zealand majoring in finance and has experience and knowledge in financial investments. He has been serving as a director of a rural bank initiated by Chengdu Rural Commercial Bank since 2013 and has active participation in the material affairs management, risk control and material investment decision of the said bank. Mr. Yuen used to work as a corporate finance solicitor in a reputable international law firm in Hong Kong and has relevant experiences in financial investment. Before joining the Group, he was the chief operation officer of Fullshare Holdings Limited (Stock Code: 00607.hk) overseeing its operations including the investment segment.

Apart from the three executive Directors, the other three members of the Investment Committee have extensive experience working in either financial industry or in the practice of credit and risk assessment. One member had worked at the management level of a reputable PRC bank for more than 20 years and had experience and knowledge in designing and assessing risks of different financial products. Another member comes with legal background with more than 11 years of experience in corporate compliance and risk management and had served as the general counsel of sizable PRC companies responsible for overseeing compliance and risk control in respect of the company's operation and investments. The remaining member comes with finance background with more than 15 years of experience working in the area of financial planning, budgeting, internal control on use of capital and he is currently responsible for analyzing the financial impact of the Financial Investments on the Group's performance. The Board believes that the Company possess sufficient expertise to assess the merits of each Financial Investments before any investment decision is made.

After making a Financial Investment, the Company's operation team will regularly monitor the performance of the Financial Investment and take necessary actions to minimize the risks and maximum the returns to the Group. The Group will divest the Financial Investment if it has achieved a satisfactory return, or the risks increase, or when a more desirable replacement Financial Investment opportunity emerges. The operation team will also regularly update the Investment Committee for it to make divestment or replacement Financial Investment decisions.

An impairment or provisioning becomes relevant only when the recoverable amount of the Financial Investments is less than its carrying amount. The finance team of the Company will perform regular impairment assessments on the Financial Investments and where any impairment indicator emerges, the finance team will inform the operation team of the Company to closely monitor the performance of the Financial Investments and adjust the investment portfolio where necessary.

The Board believes that making the Financial Investments with the purpose, strategy and post-investment monitoring as disclosed above is for the benefit of the Company and the Shareholders as a whole.

**As Completion is subject to the satisfaction of certain conditions precedent, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

By order of the Board  
**LongiTech Smart Energy Holding Limited**  
**Wei Qiang**  
*Chairman and Chief Executive Officer*

Hong Kong, 10 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.*