

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred all your Shares in LongiTech Smart Energy Holding Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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**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)**

**REVISION OF ANNUAL CAPS  
FOR SOLAR MODULES SUPPLY MASTER AGREEMENT  
AND  
NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



A notice convening the EGM to be convened and held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong at 10:00 a.m. on Friday, 10 March 2017 is set out on pages N-1 to N-2 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event at least 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

22 February 2017

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## DEFINITIONS

*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“Announcements”	the announcements made by the Company dated 16 November 2016 and 19 January 2017
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	LongiTech Smart Energy Holding Limited 隆基泰和智慧能源控股有限公司 (formerly known as Long Ji Tai He Holding Limited 隆基泰和控股有限公司), a company incorporated under the laws of Cayman Islands whose Shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held to consider and approve the Revised Caps
“Existing Caps”	the existing annual caps for the transactions contemplated under the Master Agreement
“Group”	the Company and its subsidiaries
“Hebei Longitech”	Hebei LongiTech Cloud Energy Company Limited (河北隆基泰和雲能源科技有限公司), a company established with limited liability in the PRC, being a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, namely Mr. Han Qinchun, Mr. Wong Yik Chung John and Mr. Han Xiaoping
“Independent Financial Adviser” or “Southwest Securities”	Southwest Securities (HK) Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Revised Caps

## DEFINITIONS

“Independent Shareholder(s)”	Shareholders other than Mr. Wei Qiang, Mr. Wei Shaojun, any of their respective associates and any other person who has a material interest in the Master Agreement (as supplemented by the Supplemental Agreement)
“Latest Practicable Date”	20 February 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained therein
“Lightway Green Energy”	Baoding Lightway Green Energy Technology Company Limited (保定光為綠色能源科技有限公司), a company incorporated in the PRC and is ultimately controlled by Mr. Wei Qiang
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Longjitaihe”	Longjitaihe Industry Co. Ltd. (隆基泰和實業有限公司), a company incorporated in the PRC and is ultimately controlled by Mr. Wei Shaojun
“Longjitaihe Group”	Longjitaihe and its subsidiaries
“Master Agreement”	the agreement entered into between Hebei Longitech and Lightway Green Energy on 16 November 2016 in relation to the supply of solar modules by Lightway Green Energy to the Group for the period from the date of the Master Agreement to 31 December 2018
“MW”	Megawatt, 1 MW equals to 1,000,000 W
“PRC”	the People’s Republic of China, for the purpose of this circular, exclusively refers to Mainland China
“Revised Caps”	the proposed revised annual caps for the continuing connected transactions under the Master Agreement (as supplemented by the Supplemental Agreement) for each of the two years ending 31 December 2018
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share of HK\$0.01 each in the capital of the Company

## DEFINITIONS

“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the agreement entered into between Hebei Longitech and Lightway Green Energy on 19 January 2017 to amend certain terms of the Master Agreement
“W”	Watt
“%”	per cent.



**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)**

*Executive Directors:*

Mr. Wei Shaojun  
Mr. Wei Qiang  
Mr. Li Haichao  
Ms. Zhen Xiaojing

*Registered Office:*

Clifton House  
75 Fort Street  
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Grand Cayman KY1-1108  
Cayman Islands

*Independent Non-Executive Directors:*

Mr. Han Qinchun  
Mr. Wong Yik Chung John  
Mr. Han Xiaoping

*Principal Place of Business*

*in Hong Kong:*  
Unit 3606, 36/F  
The Centre  
99 Queen's Road Central  
Hong Kong

22 February 2017

*To the Shareholders*

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS  
FOR SOLAR MODULES SUPPLY MASTER AGREEMENT**

**INTRODUCTION**

Reference is made to the Announcements in respect of the Master Agreement (as supplemented by the Supplemental Agreement).

The purpose of this circular is to provide you with, among other things, (i) details of the Master Agreement (as supplemented by the Supplemental Agreement) and the Revised Caps contemplated thereunder; (ii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Revised Caps;

## LETTER FROM THE BOARD

(iii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Revised Caps as well as voting at the EGM; and (iv) the notice of the EGM to the Shareholders.

### **BACKGROUND**

As there is a change in the future business development plan of the Group, the Board expects that the Existing Caps of the Master Agreement for the years ending 31 December 2017 and 2018 will no longer be sufficient. The Board hereby announces that on 19 January 2017, Hebei Longitech (an indirect wholly-owned subsidiary of the Company) entered into the Supplemental Agreement with Lightway Green Energy to revise the Existing Caps for the years ending 31 December 2017 and 2018, so as to secure the supply of a larger amount of solar modules which can meet the Group's required quality standard at a reasonable cost and on a timely basis in the coming two years.

### **MASTER AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)**

The major terms of the Master Agreement (as supplemented by the Supplemental Agreement) are as follows:

#### **Date**

16 November 2016 (Master Agreement)

19 January 2017 (Supplemental Agreement)

#### **Parties**

- (1) Hebei Longitech, an indirect wholly-owned subsidiary of the Company; and
- (2) Lightway Green Energy, a company controlled by Mr. Wei Qiang, the executive Director and the son of Mr. Wei Shaojun (the executive Director and the controlling Shareholder), thus a connected person of the Company. Lightway Green Energy is principally engaged in new energy technology development and the production and sale of solar modules.

#### **Subject matter**

Pursuant to the Supplemental Agreement, the parties have agreed to revise the Existing Caps under the Master Agreement, subject to the Independent Shareholders' approval. Save as amended by the Supplemental Agreement, all other terms of the Master Agreement (as disclosed below) shall remain unchanged.

Pursuant to the Master Agreement, Lightway Green Energy has agreed to supply the relevant solar modules to Hebei Longitech for the period from the date of the Master Agreement to 31 December 2018. Members of the Group will enter into individual purchase orders/contracts in

## LETTER FROM THE BOARD

accordance with the terms of the Master Agreement with Lightway Green Energy to set out details of each of the specific purchase as contemplated under the Master Agreement during the term thereof.

The Master Agreement (as supplemented by the Supplemental Agreement) is non-exclusive in nature. The Company is free to procure the solar modules from other suppliers, other than Lightway Green Energy, if the terms offered by independent third party suppliers are better than those offered by Lightway Green Energy. The Company has maintained a list of solar modules suppliers, but the Company has not entered, and does not intend to enter, into any long-term contract with other suppliers, so as to ensure its flexibility in sourcing solar modules from different suppliers.

### **Pricing and payment terms**

The pricing is dependent on the type of solar modules to be provided and are determined at the time when such purchases are entered into. The pricing will be specified on each individual purchase orders/contracts to be agreed by the parties in terms of unit price per W, provided that the unit price per W of the relevant solar module shall be not more than the prevailing market unit price per W of that type of solar modules.

Pursuant to the Master Agreement (as supplemented by the Supplemental Agreement), Lightway Green Energy agreed that the unit price per W for the solar modules shall not be higher than the prevailing unit price per W for similar types of solar modules as well as shall not be higher than unit price per W offered by Lightway Green Energy to its other customers. Members of the Group is free to obtain fee quotations of the same or comparable type of solar module as offered by the independent third parties in the PRC market and in the normal course of business. The non-exclusive arrangement under the Master Agreement (as supplemented by the Supplemental Agreement) allows the Group to procure the solar modules from other suppliers if the terms offered by Lightway Green Energy are not the most favourable to the Group.

The consideration for the solar modules under the Master Agreement shall be payable to Lightway Green Energy in accordance with the following milestones:

- (a) 30% of the total consideration to be paid as prepayment within five business days upon the placing of the purchase orders;
- (b) 60% of the total consideration to be paid within five business days upon the delivery of the solar modules as well as the passing of the acceptance checks; and
- (c) 10% of the total consideration after the expiration of the warranty period of 12 months after the delivery of the solar modules as well as the passing of the acceptance checks, provided that there are no issues in relation to the quality of the solar modules or any such issues have been remedied.

The Company has a Cost Management Center which is responsible for the Group's tender, procurement as well as cost control matters.



## LETTER FROM THE BOARD

In order to ensure the procurements of solar modules are carried out on a fair and reasonable basis, as well as to maintain the flexibility of the Company to procure solar modules from independent third parties other than Lightway Green Energy, the Company will carry out the following procedures:

1. The Cost Management Center of the Company will keep abreast of the movement of the unit price per W for different types of solar modules by conducting periodic price research on a monthly basis, as to determine the prevailing market unit price per W of solar modules.
2. The Company has maintained a list of solar modules suppliers. Before each procurement of the solar modules, the relevant business departments will submit their procurement proposals. The Cost Management Center of the Company will, from time to time, obtain quotations from at least three independent suppliers of reasonable scale and/or invite a number of suppliers to submit tenders and/or, in certain circumstances, conduct price bidding through public inquiry or telephone inquiry.

The selection criteria of suppliers will be based on their modules' quality, technique, price, payment terms, production capacity, after-sale service, their understanding on the Company's requirements, their ability to execute transactions according to contracted terms, etc, so as to maximise the Company's interest as a whole in the transactions, while minimising the cost and time to be spent by the Company thereon.

3. Moreover, before approving any quotation provided by Lightway Green Energy, the Company will seek confirmation from Lightway Green Energy on the historical figures regarding the transactions with other customers in the previous three months for solar modules with similar requirements and specifications. Such confirmation enables the Company to ensure the selling price and conditions offered for solar modules with similar requirements and specifications are no less favourable than those available to other customers of Lightway Green Energy.
4. Having considered all of the above factors, the chief executive officer and vice president in-charge of the relevant business departments of the Company will finalise the chosen supplier and unit price per W of solar modules after taking into account of the prevailing market conditions and the quotations received from other suppliers.

As mentioned above, the Company considers that the methods and procedures adopted above can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

## LETTER FROM THE BOARD

The Directors believe that the non-exclusive arrangement under the Master Agreement (as supplemented by the Supplemental Agreement) is beneficial to the Company and the Shareholders as a whole as it allows the Group to purchase from other suppliers if the terms offered by Lightway Green Energy are not the most favourable to the Group. Should the terms offered by independent suppliers are better than those offered by Lightway Green Energy, the Group will then purchase from the other suppliers.

### Historical Figures and Revised Caps

As the Group has not procured solar modules from Lightway Green Energy prior to the date of the Master Agreement, no historical transaction figure is available for the years in 2014 and 2015. The historical transaction figure for the year ended 31 December 2016 was approximately RMB6 million.

Set out below are the Existing Caps (i.e. the maximum annual aggregate consideration payable by the Group to Lightway Green Energy) and the Revised Caps for the purchase of solar modules under the Master Agreement and the Supplemental Agreement:

	For the year ended/ending 31 December		
	2016	2017	2018
	(RMB million)	(RMB million)	(RMB million)
<b>Existing Caps</b>	16	16	16
<b>Revised Caps</b>	—	420	420

The Revised Caps set out above are determined based on the following:

- (a) the latest business development plans of the Group which will position itself as the only listed platform under the Longjitaihe Group to undertake the clean energy business;
- (b) the historical volume of photovoltaic power stations developed and constructed by the Longjitaihe Group and the relevant solar modules being consumed in such development and construction. As informed by the Longjitaihe Group, the historical transaction amount for the purchase of solar modules from Lightway Green Energy by the Longjitaihe Group for the year ended 31 December 2016 was approximately RMB191 million, for the development and construction of photovoltaic power stations of approximately 50 MW by the Longjitaihe Group;
- (c) the historical volume of photovoltaic power stations acquired, developed and/or constructed by the Group and the relevant solar modules being consumed in such development and construction for the year ended 31 December 2016, i.e. the Company acquired photovoltaic power stations of 30 MW in 2016 for which solar modules amounted to approximately RMB122 million were purchased by the then owner in building such kind of photovoltaic power stations;

## LETTER FROM THE BOARD

- (d) the expected volume of development and construction of photovoltaic power stations (i.e. the management of the Company expects to develop and construct photovoltaic power stations of approximately 150 MW and 150 MW (including ground power stations, rooftop distributed power stations and home photovoltaic systems developed for household users) for the years ending 31 December 2017 (with details below) and 2018 (estimated based on the expected volume of projects for 2017), respectively.

Currently, the Company has identified various photovoltaic power station projects. Subject to market conditions, customers' demand, sales performance, governmental approvals, variations in policies and other factors, the identified projects may require to be further adjusted from time to time. However, the Company will try to develop and construct the photovoltaic power stations in accordance with the planned progress and standards as set out below:

For the year ending 31 December 2017, it is expected to commence development and construction of photovoltaic power stations of approximately 150 MW in various locations, of which approximately 70 MW will be developed in the Beijing-Tianjin-Hebei region; approximately 30 MW will be developed in the Jiangsu, Zhejiang and Shanghai region; approximately 20 MW will be developed in the Shandong regions; approximately 20 MW will be developed in the Inner Mongolia and Northeast region and approximately 10 MW will be developed in other regions within the PRC, respectively.

The development phase of the photovoltaic power stations is relatively short-term in nature. It is expected to commence the development and construction of the photovoltaic power stations of approximately 20 MW, 30 MW, 40 MW and 60 MW in the coming first quarter, second quarter, third quarter and fourth quarter, respectively, which will then be held for sale upon completion.

As solar modules are the main components of photovoltaic power stations, the installed capacity is equal to the total power output of the solar modules, that is, 150 MW of photovoltaic power stations requires procurement of solar modules of up to 150 MW power output. The solar modules required for the development and construction of photovoltaic power stations are to be purchased at the commencement of such development and construction;

- (e) the prevailing market unit price per W (ranging from RMB2.8/W to RMB3.2/W) of the relevant solar modules required for development and construction of photovoltaic power stations with reference to the information obtained through price bidding through public inquiry (of which three suppliers had submitted quotations) conducted at the end of year of 2016, and any possible discount to the prevailing unit price that Lightway Green Energy may consider to grant to the Group on a case by case basis, as Lightway Green Energy will be exposed to a lower credit risk from sales to the Group as compared to sales to other independent customers;

## **LETTER FROM THE BOARD**

- (f) the expected changes in the market conditions, the anticipated demand and supply of the solar energy business of the Group; and
- (g) the inclusion of a buffer (which is just approximately 1%) to accommodate any unexpected changes in the aforesaid factors during the period of the Master Agreement.

Such projection is assumed solely for determining the Revised Caps and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or business prospects of the Group.

### **INTERNAL CONTROL MEASURES**

To ensure that the terms offered by Lightway Green Energy to the Group are not higher than the prevailing market price for similar types of solar modules as well as not higher than price offered by Lightway Green Energy to its other customers and that the Revised Caps are not exceeded, the Group will adopt the following internal control measures:

- (i) the prices for the solar modules will be negotiated on an arm's length basis and at prices with reference to the prevailing market prices of similar products, which will be determined through periodic monthly price research conducted by Cost Management Centre of the Company by obtaining the unit price per W of solar modules charged by the independent third parties for similar products comparable to the solar modules supplied under the Master Agreement (as supplemented by the Supplemental Agreement) and through telephone inquiry or public inquiry or tender. The unit price per W for the solar modules charged by Lightway Green Energy will not be higher than the prevailing market prices of similar products;
- (ii) the internal control department of the Company will closely monitor the transaction amounts in relation to the transactions under the Master Agreement (as supplemented by the Supplemental Agreement) to ensure that the Revised Caps are not exceeded and the implementation of the relevant internal control measures as mentioned above; and
- (iii) the independent non-executive Directors and the auditor of the Company will also on a regular basis be provided with the (i) the Master Agreement (as supplemented by the Supplemental Agreement); (ii) periodic price research conducted by the Cost Management Center of the Company and/or fee quotations and/or tender documents submitted by independent third parties for the supply of the solar modules; (iii) individual purchase orders/agreements entered into between the Group and Lightway Green Energy; and (iv) individual purchase orders/agreements entered into between the Lightway Green Energy and its consumers. The independent non-executive Directors will also review and compare the relevant payment terms, payment method and fees payable under these agreements and to ensure that the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) are conducted on normal and commercial terms. The auditor of the Company will review and confirm the

## LETTER FROM THE BOARD

transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) are conducted in accordance with the terms of the Master Agreement (as supplemented by the Supplemental Agreement).

### REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER AGREEMENT

The Group is principally engaged in the smart energy and solar energy businesses, and the primary land development.

As disclosed in the announcements of the Company dated 11 November 2015 and 25 July 2016 as well as its annual report for the year ended 31 December 2015 and interim report for the six months ended 30 June 2016, Mr. Wei Shaojun and Mr. Wei Qiang held share interests and directorships and Mr. Li Haichao held senior management positions in companies of the Longjitaihe Group which engage in businesses of clean energy (mainly the production and sales of solar modules and the development, construction and operation of photovoltaic power stations) and primary land development. Being a listed company that serves as the only platform for the Longjitaihe Group to engage in clean energy business, the Group's principal businesses include smart energy and solar energy. In order to delineate the business and to avoid competition between the Longjitaihe Group and the Group, in the future, the Group will be the main entity carrying out the business of smart energy and the new business of solar photovoltaic power stations. Other than the production of solar modules and the operation and maintenance of completed photovoltaic power stations, the Longjitaihe Group will not participate in the new business of the development of photovoltaic power stations or other clean energy business. To implement this strategy and to implement the integration with the original business of the Longjitaihe Group into the Group, the majority of the management staff of the Longjitaihe Group's photovoltaic power stations businesses, has joined, or retained by, the Group.

As such, the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) are to be conducted for the purpose to align the strategy of the Longjitaihe Group and the Group as part of the integration of the Longjitaihe Group's original solar energy businesses which mainly refers to, the development, construction and operation of photovoltaic power stations, into the Group.

To the best knowledge, information and belief, the development and construction of existing photovoltaic power stations of the Longjitaihe Group had been completed within 2016, and the Longjitaihe Group will only operate and maintain its completed photovoltaic power stations and will no longer develop or construct new photovoltaic power stations going forward.

Taking into account that (i) the terms offered by Lightway Green Energy are generally more favourable and competitive than those offered by independent third party suppliers (in terms of pricing, discount, punctuality and quality); and (ii) the quality assurance of Lightway Green Energy in the field of supply of solar modules over the years and its flexibility in matching the Group's order requirements, even the order is of a smaller quantity and at a quicker turnaround time, it is expected that a significant part of the supplies of the solar modules of the Group may be from Lightway Green Energy for the years ending 2017 and 2018.

## **LETTER FROM THE BOARD**

Having said so, the Directors consider that the Company shall not be regarded as relying on the supplies of solar modules from Lightway Green Energy and/or other suppliers related to Mr. Wei Qiang as (i) the Group is not required to place any order with Lightway Green Energy under the Master Agreement (as supplemented by the Supplemental Agreement) which is non-exclusive in nature; (ii) it is easy for the Group to identify alternative suppliers in the market which the Group has maintained a list of such suppliers and it is expected that the Group would have not less than ten solar modules suppliers during the term of the Master Agreement; (iii) the Revised Caps only represent the expected maximum amount of solar modules required by the Group for the development and construction of photovoltaic power stations, in case Lightway Green Energy is capable to take up all the Group's purchase orders at the same or better terms than those offered by independent suppliers; and (iv) periodic price research will be conducted by the Cost Management Centre of the Company so as to ensure the price charged by Lightway Green Energy is not higher than the prevailing market price from time to time and the Group will further conduct telephone inquiry, public inquiry or tender for each purchase order, so that the Company will only place order with Lightway Green Energy if they can offer the best terms to the Company.

The Directors (including the independent non-executive Directors, having received and considered the advice from the Independent Financial Adviser) are of the opinion that the Revised Caps are fair and reasonable and that the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) are in the ordinary and usual course of business of the Group and on normal commercial terms; and the terms of the Master Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **IMPLICATIONS UNDER THE LISTING RULES**

Since Lightway Green Energy is a company controlled by Mr. Wei Qiang, the executive Director and the son of Mr. Wei Shaojun, the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) exceed 5%, the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) are subject to reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Save and except for Mr. Wei Qiang (executive Director) holds offices and ownership in Lightway Green Energy and the son of Mr. Wei Shaojun (executive Director and the controlling Shareholder), none of the Directors had any material interest in the Master Agreement (as supplemented by the Supplemental Agreement). Accordingly, Mr. Wei Shaojun and Mr. Wei Qiang had abstained from voting on the Board resolutions on approving the Master Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

## LETTER FROM THE BOARD

### EGM

A notice convening the EGM to be held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong at 10:00 a.m. on Friday, 10 March 2017 is set out in this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the Revised Caps.

The ordinary resolution to be proposed at the EGM to approve the Revised Caps will be determined by way of poll by the Shareholders. Other than Mr. Wei Shaojun, Mr. Wei Qiang and any of their respective associates, none of the Shareholders will be required to abstain from voting at the EGM in respect of the ordinary resolution to approve the Revised Caps. Mr. Wei Shaojun, Mr. Wei Qiang and their respective associates who are Shareholders holding approximately 59.25% shareholdings as at the Latest Practicable Date will abstain from voting on the relevant resolution to approve the Revised Caps at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same as soon as possible to Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event at least 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

### RECOMMENDATION

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in relation to the Revised Caps. Southwest Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Caps. The EGM will be convened at which resolution will be proposed to seek the Independent Shareholders' approval of, among other things, the Revised Caps.

The Directors (including the independent non-executive Directors, having received and considered the advice from the Independent Financial Adviser) are of the opinion that the Revised Caps are fair and reasonable and the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Master Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution set out in the notice of EGM enclosed to this circular.

## LETTER FROM THE BOARD

### GENERAL

Your attention is also drawn to the letter from the Independent Board Committee, the letter from Southwest Securities and the additional information set out in the appendix to this circular and the notice of EGM.

Yours faithfully,  
By Order of the Board  
**LongiTech Smart Energy Holding Ltd.**  
**Wei Shaojun**  
*Chairman*





**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)**

*To the Shareholders*

22 February 2017

Dear Shareholder,

**REVISION OF ANNUAL CAPS  
FOR SOLAR MODULES SUPPLY MASTER AGREEMENT**

We refer to the circular dated 22 February 2017 issued by the Company to its Shareholders (the “Circular”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter, unless the context otherwise requires.

We, being the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in connection with the Revised Caps, the details of which are set out in the letter from the Board contained in the Circular. Southwest Securities has been appointed to advise us, the Independent Board Committee, and the Independent Shareholders in relation to the Revised Caps.

We wish to draw your attention to the letter from the Board and the letter from Southwest Securities to us, the Independent Board Committee, and the Independent Shareholders containing its advice in respect of the Revised Caps, as set out in the Circular.

Having taken into account the principal factors and reasons considered by Southwest Securities and its conclusion and advice, we consider that the Revised Caps are fair and reasonable and that the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Master Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Revised Caps.

Yours faithfully,  
Independent Board Committee

**Han Qinchun**

**Wong Yik Chung John**

**Han Xiaoping**

*Independent non-executive Directors*

## LETTER FROM SOUTHWEST SECURITIES

*The following is the text of the letter of advice from Southwest Securities (HK) Capital Limited, the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, prepared for the purpose of inclusion in this circular.*



### SOUTHWEST SECURITIES (HK) CAPITAL LIMITED

Rooms 1601, 1606–1608, 16/F  
Central Plaza, 18 Harbour Road  
Wanchai  
Hong Kong

22 February 2017

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### **REVISION OF ANNUAL CAPS FOR SOLAR MODULES SUPPLY MASTER AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement), the details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 22 February 2017 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 16 November 2016 in relation to the continuing connected transactions of the Company as contemplated under the Master Agreement. As there is a change in the future business development plan of the Group, the Board expects that the Existing Caps of the Master Agreement for the years ending 31 December 2017 and 2018 will no longer be sufficient. The Board hereby announces that on 19 January 2017, Hebei Longitech (an indirect wholly-owned subsidiary of the Company) entered into the Supplemental Agreement with Lightway Green Energy to revise the Existing Caps for the years ending 31 December 2017 and 2018, so as to secure the supply of a larger amount of solar modules which can meet the Group’s required quality standard at a reasonable cost and on a timely basis in the coming two years.

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Since Lightway Green Energy is a company controlled by Mr. Wei Qiang, the executive Director, and the son of Mr. Wei Shaojun (the executive Director and the controlling Shareholder), the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the Master Agreement exceed 5%, the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) are subject to reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising, Mr. Han Qinchun, Mr. Wong Yik Chung John and Mr. Han Xiaoping (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Master Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms, and together with the Revised Caps, are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the Master Agreement (as supplemented by the Supplemental Agreement) is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the transactions contemplated thereunder at the EGM. We, Southwest Securities (HK) Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

Southwest Securities (HK) Capital Limited is a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Southwest Securities (HK) Capital Limited and its affiliates, whose ordinary business involves the trading of, dealing in and the holding of securities, may be involved in the trading of, dealing in, and the holding of the securities of the Company for client accounts. Other than this appointment as the Independent Financial Advisor, we were not aware of any relationships or interests between Southwest Securities (HK) Capital Limited and the Company or any other parties that could be reasonably regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the entering into the Master Agreement (as supplemented by the Supplemental Agreement).

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided, and representations and opinions expressed to us by the Directors and management, for which they are

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fully responsible, or contained or referred to in the Circular, in all material aspects, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and management in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts provided to us by the Group, its advisers and/or the Directors or contained in the Circular, or the reasonableness of the opinions expressed by the Group, its advisers and/or the Directors. Our opinion is based on the representation and confirmation of the Directors and management of the Group that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, that having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Having completed the abovementioned work done, we consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent in-depth investigation into the documents provided by the Company as well as the business and affairs of the Group, Hebei Longitech, Lightway Green Energy or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering to the transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in the market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, our sole responsibility of is to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent verification and in-depth investigation or into the accuracy and completeness of that information.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Master Agreement (as supplemented by the Supplemental Agreement), we have taken into consideration the following principal factors and reasons:

### **1. Background of the Continuing Connected Transactions**

#### *Information on the Group*

The Group is principally engaged in the smart energy and solar energy businesses and the primary land development business, of which smart energy and solar energy businesses will be the Group's principal business activities.

According to the annual report for the year ended 31 December 2015 (the "**Annual Report**"), the Group undertook the primary land development and public infrastructure construction business of the Baoding Donghu Project (the "Donghu Project") in July 2015. Except for the continued development of the Donghu Project, the Group has no plans to further pursue the primary land development and public infrastructure construction business in the future. The Donghu Project enables the Group to build a solid customer base for its smart energy solution business. In November 2015, the Group announced to develop the business of clean energy, which mainly includes the provision of smart energy solutions and the development, operation and sale of high-quality photovoltaic power plants and the provision of interrelated consultancy and management services, and which will be the Group's principal activities.

According to the interim report for the six months ended 30 June 2016 (the "**Interim Report**"), smart energy and solar energy businesses will be the Group's principal business activities. During the first half of 2016, targeting the needs of the Group's business transformation, the Group proactively carried out tuning, adjustment and improvement of the internal organizational structure, enhancing and allocating technological, research and development, commercial and operational maintenance teams related to smart energy and solar energy businesses, so as to provide strong support to the Group's principal business activities through more efficient and professional management. Meanwhile, the Group actively expanded smart energy and solar power station businesses, completing the initial construction of the cloud platform system for smart energy, acquisition of three solar power stations and initial preparation for the development of certain solar power stations, therefore laying a solid foundation for future business development. In particular to the Group's solar energy business, the Group, through self-directed and co-development, engaged in development, construction, operation or sales of solar power stations and provision of relevant consultation management services. During the first half of 2016, the Group, by means of acquisitions, held three photovoltaic power stations, which were fully connected to the power grids, namely Hebei Longhua (Ground power station), Liangshan Shengxiang (Distributed), Huaian Jingyang (Distributed) with a total of 30MW installed capacity.

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### *Information on Hebei Longitech*

Hebei LongiTech Cloud Energy Company Limited (河北隆基泰和雲能源科技有限公司), a company established with limited liability in the PRC, being a wholly-owned subsidiary of the Company

### *Information on Lightway Green Energy*

Baoding Lightway Green Energy Technology Company Limited (保定光為綠色能源科技有限公司), a company incorporated in the PRC and is ultimately controlled by Mr. Wei Qiang, the executive Director and the son of Mr. Wei Shaojun, thus a connected person of the Company. Lightway Green Energy is principally engaged in new energy technology development and the production and sale of photovoltaics components.

## **2. Reasons for and benefits of the entering into of the Master Agreement**

As referred to in the Letter from the Board and as disclosed in the announcements of the Company dated 11 November 2015 and 25 July 2016 as well as the Annual Report and the Interim Report, Mr. Wei Shaojun and Mr. Wei Qiang held share interests and directorships and Mr. Li Haichao held senior management positions in companies of the Longjitaihe Group which engage in businesses of clean energy (mainly the production and sales of solar modules and the development, construction and operation of photovoltaic power stations) and primary land development. Being a listed company that serves as the only platform for the Longjitaihe Group to engage in clean energy business, the Group's principal businesses include smart energy and solar energy. In order to delineate the business and to avoid competition between the Longjitaihe Group and the Group, in the future, the Group will be the main entity carrying out the business of smart energy and the new business of solar photovoltaic power stations. Other than the production of solar modules and the operation and maintenance of completed photovoltaic power stations, the Longjitaihe Group will not participate in the new business of the development of photovoltaic power stations or other clean energy business. To implement this strategy and to implement the integration with the original business of the Longjitaihe Group into the Group, the majority of the management staff of the Longjitaihe Group's photovoltaic power stations businesses has joined, or retained by, the Group. As such, the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) are to be conducted for the purpose to align the strategy of the Longjitaihe Group and the Group as part of the integration of the Longjitaihe Group's original solar energy businesses which mainly refers to, the development, construction and operation of photovoltaic power stations, into the Group.

To the best knowledge, information and belief of the Directors, the development and construction of existing photovoltaic power stations of the Longjitaihe Group had been completed within 2016, and the Longjitaihe Group will only operate and maintain its completed photovoltaic power stations and will no longer develop or construct new photovoltaic power stations going forward.

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As disclosed in the Letter from the Board, the Directors, taking into account that (i) the terms offered by Lightway Green Energy are generally more favourable and competitive than those offered by independent third party suppliers (in terms of pricing, discount, punctuality and quality); and (ii) the quality assurance of Lightway Green Energy in the field of supply of solar modules over the years and its flexibility in matching the Group's order requirements, even the order is of a smaller quantity and at a quicker turnaround time, expected that a significant part of the supplies of the solar modules of the Group may be from Lightway Green Energy for the years ending 2017 and 2018. Taking into account the above factors, we are of the view that the Directors' assumption on the abovementioned expected significance of purchase from Lightway Green Energy is reasonable.

Having said so, the Directors consider that the Company shall not be regarded as relying on the supplies of solar modules from Lightway Green Energy and/or other suppliers related to Mr. Wei Qiang as (i) the Group is not required to place any order with Lightway Green Energy under the Master Agreement (as supplemented by the Supplemental Agreement) which is non-exclusive in nature; (ii) it is easy for the Group to identify alternative suppliers in the market which the Group has maintained a list of such suppliers and it is expected that the Group would have not less than ten solar modules suppliers during the term of the Master Agreement; (iii) the Revised Caps only represent the expected maximum amount of solar modules required by the Group for the development and construction of photovoltaic power stations, in case Lightway Green Energy is capable to take up all the Group's purchase orders at the same or better terms than those offered by independent suppliers; and (iv) periodic price will be research conducted by the Cost Management Centre of the Company so as to ensure the price charged by Lightway Green Energy is not higher than the prevailing market price from time to time and the Group will further conduct telephone inquiry, public inquiry or tender for each purchase order, so that the Company will only place order with Lightway Green Energy if they can offer the best terms to the Company.

We are of the view that the maintenance of a list of not less than ten solar modules suppliers and the non-exclusive nature of the Master Agreement (as supplemented by the Supplemental Agreement) are able to allow flexibility to the Group in selection of solar modules supplier to the interest of the Company and Shareholders as a whole.

The Directors (including the independent non-executive Directors, having received the advice from the independent financial adviser) are of the opinion that the Revised Caps are fair and reasonable and that the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Master Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered (i) the above reasons for and possible benefits of the entering into of the Master Agreement (as supplemented by the Supplemental Agreement), including the delineation of the business between the Longjitaihe Group and the Group and the integration of the Longjitaihe Group's original solar energy businesses which mainly refers to, the development, construction and operation of photovoltaic power stations, into the Group, (ii) the Group's principal business and



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business strategy, (iii) the fact that the Master Agreement (as supplemented by the Supplemental Agreement) is a continuation of the Longjitaihe Group's original solar energy business which mainly refers to, the development, construction and operation of photovoltaic power stations, which is in the progress of integration into the Group and (vi) the non-exclusive nature of the Master Agreement (as supplemented by the Supplemental Agreement), we are of the opinion that the entering into of the Master Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms, and is in the interests of the Company and the Shareholders as a whole.

### **3. Principal terms of the Master Agreement (as supplemented by the Supplemental Agreement)**

#### **3.1 *The Master Agreement (as supplemented by the Supplemental Agreement)***

The major terms of the Master Agreement (as supplemented by the Supplemental Agreement) are as follows:

##### **Date**

16 November 2016 (Master Agreement)

19 January 2017 (Supplemental Agreement)

##### **Parties**

- (1) Hebei Longitech, an indirect wholly-owned subsidiary of the Company; and
- (2) Lightway Green Energy, a company controlled by Mr. Wei Qiang, the executive Director and the son of Mr. Wei Shaojun (the executive Director and the controlling Shareholder), thus a connected person of the Company. Lightway Green Energy is principally engaged in new energy technology development and the production and sale of solar modules.

##### **Subject matter**

Pursuant to the Supplemental Agreement, the parties have agreed to revise the Existing Caps under the Master Agreement, subject to the Independent Shareholders' approval. Save as amended by the Supplemental Agreement, all other terms of the Master Agreement (as disclosed below) shall remain unchanged.

Pursuant to the Master Agreement, Lightway Green Energy has agreed to supply the relevant solar modules to Hebei Longitech for the period from the date of the Master Agreement to 31 December 2018. Members of the Group will enter into individual

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purchase orders/contracts in accordance with the terms of the Master Agreement with Lightway Green Energy to set out details of each of the specific purchase as contemplated under the Master Agreement during the term thereof.

The Master Agreement (as supplemented by the Supplemental Agreement) is non-exclusive in nature. The Company is free to procure the solar modules from other suppliers, other than Lightway Green Energy, if the terms offered by independent third party suppliers are better than those offered by Lightway Green Energy. The Company has maintained a list of solar modules suppliers, but the Company has not entered, and does not intend to enter, into any long-term contract with other suppliers, so as to ensure its flexibility in sourcing solar modules from different suppliers.

### **Pricing and payment terms**

The pricing is dependent on the type of solar modules to be provided and are determined at the time when such purchases are entered into. The pricing will be specified on each individual purchase orders/contracts to be agreed by the parties, in terms of unit price per W, provided that the unit price per W of the relevant solar module shall be not more than the prevailing market unit price per W of that type of solar modules.

Pursuant to the Master Agreement (as supplemented by the Supplemental Agreement), Lightway Green Energy agreed that the unit price per W for the solar modules shall not be higher than the prevailing unit price per W for similar types of solar modules as well as shall not be higher than unit price per W offered by Lightway Green Energy to its other customers. Members of the Group is free to obtain fee quotations of the same or comparable type of solar module as offered by the independent third parties in the PRC market and in the normal course of business. The non-exclusive arrangement under the Master Agreement (as supplemented by the Supplemental Agreement) allows the Group to procure the solar modules from other suppliers if the terms offered by Lightway Green Energy are not the most favourable to the Group.

The consideration for the solar modules under the Master Agreement shall be payable to Lightway Green Energy in accordance with the following milestones:

- (a) 30% of the total consideration to be paid as prepayment within five business days upon the placing of the purchase orders;
- (b) 60% of the total consideration to be paid within five business days upon the delivery of the solar modules as well as the passing of the acceptance checks;  
and

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- (c) 10% of the total consideration after the expiration of the warranty period of 12 months after the delivery of the solar modules as well as the passing of the acceptance checks, provided that there are no issues in relation to the quality of the solar modules or any such issues have been remedied.

The Company has a Cost Management Center which is responsible for the Group's tender, procurement as well as cost control matters.

In order to ensure the procurements of solar modules are carried out on a fair and reasonable basis, as well as to maintain the flexibility of the Company to procure solar modules from independent third parties other than Lightway Green Energy, the Company will carry out the following procedures:

1. The Cost Management Center of the Company will keep abreast of the movement of the unit price per W for different types of solar modules by conducting periodic price research on a monthly basis, as to determine the prevailing market unit price per W of solar modules.
2. The Company has maintained a list of solar modules suppliers. Before each procurement of the solar modules, the relevant business departments will submit their procurement proposals. The Cost Management Center of the Company will, from time to time, obtain quotations from at least three independent suppliers of reasonable scale and/or invite a number of suppliers to submit tenders and/or, in certain circumstances, conduct price bidding through public inquiry or telephone inquiry.

The selection criteria of suppliers will be based on their modules' quality, technique, price, payment terms, production capacity, after-sale service, their understanding on the Company's requirements, their ability to execute transactions according to contracted terms, etc, so as to maximise the Company's interest as a whole in the transactions, while minimising the cost and time to be spent by the Company thereon.

3. Moreover, before approving any quotation provided by Lightway Green Energy, the Company will seek confirmation from Lightway Green Energy on the historical figures regarding the transactions with other customers in the previous three months for solar modules with similar requirements and specifications. Such confirmation enables the Company to ensure the selling price and conditions offered for solar modules with similar requirements and specifications are no less favourable than those available to other customers of Lightway Green Energy.

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4. Having considered all of the above factors, the chief executive officer and vice president in-charge of the relevant business departments of the Company will finalise the chosen supplier and unit price per W of solar modules after taking into account of the prevailing market conditions and the quotations received from other suppliers.

As mentioned above, the Company considers that the methods and procedures adopted above can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The Directors believe that the non-exclusive arrangement under the Master Agreement (as supplemented by the Supplemental Agreement) is beneficial to the Company and the Shareholders as a whole as it allows the Group to purchase from other suppliers if the terms offered by Lightway Green Energy are not the most favourable to the Group. Should the terms offered by independent suppliers are better than those offered by Lightway Green Energy, the Group will then purchase from the other suppliers.

### ***3.2 Proposed annual caps and basis of determination for annual caps***

As the Group has not procured solar modules from Lightway Green Energy prior to the date of the Master Agreement, no historical transaction figure is available for the years in 2014 and 2015. The historical transaction figure for the year ended 31 December 2016 was approximately RMB6 million. The Company has acquired photovoltaic power stations of 30 MW in 2016 for which solar modules amounted to approximately RMB122 million were purchased by the then owner in building such kind of photovoltaic power stations. As informed by the Longjitaihe Group, the historical transaction amount for the purchase of solar modules from Lightway Green Energy by the Longjitaihe Group for the year ending 31 December 2016 were approximately RMB191 million for the development and construction of photovoltaic power stations of approximately 50 MW by the Longjitaihe Group.

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Set out below are the Existing Caps (i.e. the maximum annual aggregate consideration payable by the Group to Lightway Green Energy) and the Revised Caps for the purchase of solar modules under the Master Agreement and the Supplemental Agreement:

	<b>For the year ended 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Existing Caps	16	16	16
Revised Caps	—	420	420

The Revised Caps set out above are determined based on the following:

- (a) the latest business development plans of the Group which will position itself as the only listed platform under the Longjitaihe Group to undertake the clean energy business;
- (b) the historical volume of photovoltaic power stations developed and constructed by the Longjitaihe Group and the relevant solar modules being consumed in such development and construction. As informed by the Longjitaihe Group, the historical transaction amount for the purchase of solar modules from Lightway Green Energy by the Longjitaihe Group for the year ended 31 December 2016 was approximately RMB191 million for the development and construction of photovoltaic power stations of approximately 50 MW by the Longjitaihe Group;
- (c) the historical volume of photovoltaic power stations acquired, developed and/or constructed by the Group and the relevant solar modules being consumed in such development and construction for the year ended 31 December 2016, i.e. the Company acquired photovoltaic power stations of 30 MW in 2016 for which solar modules amounted to approximately RMB122 million were purchased by the then owner in building such kind of photovoltaic power stations;
- (d) the expected volume of development and construction of photovoltaic power stations, i.e. the management of the Company expects to develop and construct photovoltaic power stations of approximately 150 MW and 150 MW (including ground power stations, rooftop distributed power stations and home photovoltaic systems developed for household users) for the years ending 31 December 2017 (with details below) and 2018, (estimated based on the expected volume of projects for 2017) respectively;

Currently, the Company has identified various photovoltaic power station projects. Subject to market conditions, customers' demand, sales performance, governmental approvals, variations in policies and other factors, the identified projects may

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require to be further adjusted from time to time. However, the Company will try to develop and construct the photovoltaic power stations in accordance with the planned progress and standards as set out below:

For the year ending 31 December 2017, it is expected to commence development and construction of photovoltaic power stations of approximately 150 MW in various locations, of which approximately 70 MW will be developed in the Beijing-Tianjin-Hebei region; approximately 30 MW will be developed in the Jiangsu, Zhejiang and Shanghai region; approximately 20 MW will be developed in the Shandong regions; approximately 20 MW will be developed in the Inner Mongolia and Northeast region and approximately 10 MW will be developed in other regions within the PRC, respectively.

The development phase of the photovoltaic power stations is relatively short-term in nature. It is expected to commence the development and construction of the photovoltaic power stations of approximately 20 MW, 30 MW, 40 MW and 60 MW in the coming first quarter, second quarter, third quarter and fourth quarter, respectively, which will then be held for sale upon completion.

As solar modules are the main components of photovoltaic power stations, the installed capacity is equal to the total power output of the solar modules, that is, 150 MW of photovoltaic power stations requires procurement of solar modules of up to 150 MW power output. The solar modules required for the development and construction of photovoltaic power stations are to be purchased at the commencement of such development and construction;

- (e) the prevailing market unit price per W (ranging from RMB2.8/W to RMB3.2/W) of the relevant solar modules required for development and construction of photovoltaic power stations with reference to the information obtained through price bidding through public inquiry (of which three suppliers had submitted quotations) conducted at the end of year of 2016, and any possible discount to the prevailing unit price that Lightway Green Energy may consider to grant to the Group on a case by case basis, as Lightway Green Energy will be exposed to a lower credit risk from sales to the Group as compared to sales to other independent customers;
- (f) the expected changes in the market conditions, the anticipated demand and supply of the solar energy business of the Group; and
- (g) the inclusion of a buffer (which is just approximately 1%) to accommodate any unexpected changes in the aforesaid factors during the period of the Master Agreement.

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### ***3.3 Assessment of the principal terms of the Master Agreement (as supplemented by the Supplemental Agreement) and the Revised Caps***

We understand that the pricing is dependent on the type of solar modules to be provided and are determined at the time when such purchases are entered into, and will be specified on each individual purchase orders/contracts to be agreed by the parties, provided that the unit selling price of the solar module shall be not more than the prevailing market price of that type of solar modules. Members of the Group will obtain quotation of the same or comparable type of solar module as offered by the independent third parties in the PRC market and in the normal course of business. Furthermore, we understand that the non-exclusive arrangement under the Master Agreement (as supplemented by the Supplemental Agreement) allows the Group to procure the solar modules from other suppliers if the terms offered by Lightway Green Energy are not the most favourable to the Group.

For the payment terms, we have reviewed the recent quotations from third party suppliers for the same or comparable type of solar module as supplied to the Company and noted that the payment terms of the Master Agreement (as supplemented by the Supplemental Agreement) are no less favorable to the Group than those offered by other independent suppliers for the same type of solar modules.

Taking into consideration of the above, we are of the view that the pricing mechanism and the payment terms of the Master Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

In respect of the Revised Caps, we understand that the basis of determination for such annual caps was mainly base on multiplying (i) the expected volume of solar modules to be purchased in the expected development and construction of photovoltaic power stations of approximately 150 MW and 150 MW for the years ending 31 December 2017 and 2018 respectively and (ii) the expected unit purchase price of the relevant solar modules required for development and construction of photovoltaic power stations which is with reference to the prevailing market price.

In order to assess the fairness and reasonableness of the Revised Caps, we have reviewed the estimated calculation of the proposed annual caps and relevant supporting documents supplied to us by the management of the Group.

For the expected volume of purchase of solar module from Lightway Green Energy, we have (i) discussed with the management of the Company in respect of the future plan of the Group including the integration of the Longjitaihe Group's original solar energy businesses which mainly refers to, the development, construction and operation of photovoltaic power stations, into the Group; (ii) discussed with the management of the Company and understood that the expected volume of solar modules to be purchased is estimated based on the expected development and construction of photovoltaic power stations of approximately 150 MW and 150 MW for the years ending 31 December 2017 and 2018 and, as mentioned in the Letter



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from the Board, as solar modules are the main components of photovoltaic power stations, the installed capacity is equal to the total power output of the solar modules, that is, 150 MW of photovoltaic power stations requires procurement of solar modules of up to 150 MW power output; (iii) obtained the historical list of photovoltaic power stations developed and constructed by the Longjitaihe Group of approximately 50 MW and the historical list of photovoltaic power stations acquired by the Group of approximately 30 MW for the year ended 31 December 2016 provided by the Company; (iv) obtained from the Company the list of identified potential projects of photovoltaic power stations (including ground power stations, rooftop distributed power stations and residential systems developed for household users) development and construction for the year ending 31 December 2017 which set out the scale, locations, timetable and status of each projects, and noted that the information of the expected projects are consistent with those as mentioned in the paragraph headed “Master Agreement (as supplemented by the Supplement Agreement) — Historical Figures and Revised Caps — (d)” in the Letter from the Board and projects of over 150 MW has been contracted or has obtained preliminary approval from relevant government authorities; (v) reviewed sample contracts and/or preliminary approval documents from relevant government authorities for the expected projects as supplied by the Company and noted that the informations in respect of, among others, the scale, locations and status, are consistent with the list of projects mentioned in item (iv) above; (vi) reviewed the sales agreements for home photovoltaic systems developed for household users and relevant purchase invoices as supplied by the Company and noted that, out of the development and construction of photovoltaic power stations of approximately 20 MW which are expected to commence in the first quarter of 2017 as mentioned in the Letter from the Board, the Company has commenced development of home photovoltaic systems of approximately 6 MW and, based on the representation of the management of the Company, the development of the remaining 14 MW of photovoltaic power stations are expected to commence in March 2017; (vii) discussed with management and as mentioned in the Letter from the Board, the development phase of the photovoltaic power stations is relatively short-term, and thus the projects are usually negotiated and confirmed only several months before the commencement of development and construction. As such, taking into consideration that the Group has already contracted or obtained preliminary approval for at least 150MW for the year ending 31 December 2017 as of the date of the Supplemental Agreement, the management of the Company believes that the photovoltaic power stations projects for the year ending 31 December 2018 is expected to be no less than that of the year ending 31 December 2017; and (viii) discussed with management and understood that the Group expects that all the relevant solar modules required for development and construction of photovoltaic power stations will be procured from Lightway Green Energy until the Revised Caps have been fully utilized given the prices charged by Lightway Green Energy and the terms of payment will be no less favourable than those offered to other independent suppliers for the same type of solar modules, while the non-exclusive arrangement under the Master Agreement (as supplemented by the Supplemental Agreement) allows the Group to procure the solar modules from other suppliers in the event that the terms offered by Lightway Green Energy are not the most favourable to the Group. Furthermore, in view of the fact that the Master Agreement (as supplemented by the Supplemental Agreement) is a continuation of the Longjitaihe Group’s original solar energy



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business which mainly refers to, the development, construction and operation of photovoltaic power stations, which is in the progress of integration into the Group as mentioned in the Letter from the Board, we consider it is reasonable for the management of the Company to take into consideration, among others, the historical volume of both photovoltaic power stations developed and constructed by the Longjitaihe Group and the photovoltaic power stations acquired by the Group in determining the Revised Cap. Based on the above, we are of the view that the underlying assumptions of the expected projects of photovoltaic power stations development and constructions and the expected purchase volume of solar module from Lightway Green Energy are fair and reasonable so far as the Independent Shareholders are concerned.

For the expected unit purchase price of solar modules, we have (i) reviewed three recent quotations from third party suppliers for the same or comparable type of solar module solar modules as supplied by the Company and noted that the unit price per W as shown in the quotations (ranging from RMB2.8/W to RMB3.2/W) are consistent with the expected unit purchase price of solar modules in determination of the Revised Cap and (ii) conducted internet search on the prevailing market price, including the average monthly selling price of solar modules (namely Polysilicon Photovoltaic Modules) in PRC in 2016 as published in the website of PVtrade (<http://new.pvtrade.cn>) on 22 January 2017 and the recent tendering results for the purchase of solar modules (namely Polysilicon Photovoltaic Modules) by various PRC utility companies as published in the website of OFweek Solar (<http://solar.ofweek.com>) on 10 February 2017, and noted that the market unit price of solar modules (namely Polysilicon Photovoltaic Modules) in the PRC is comparable to the unit price per W as shown the quotations supplied by the Company. According to the website of PVtrade, it is an e-commerce platform for solar related products in PRC which also provides news and information of the PRC solar industry. According to the website of OFweek Solar, it is a branch site of OFweek ([www.ofweek.com](http://www.ofweek.com)) which is a leading integrated portal of PRC high technology industry and a major content provider of PRC high technology industry information for various major internet search engines and media.

For the buffer of approximately 1% included in the determination of the Revised Cap, we have discussed with management of the Company and understood that such buffer was considered for prudence sake to accommodate any possible fluctuation in the unit purchase price in the event that no discounts to the prevailing market price were given by Lightway Green Energy as mentioned in the Letter from the Board.

Taking into consideration of the above, we consider that the Revised Caps are fair and reasonable so far as the Independent Shareholders are concerned.

## LETTER FROM SOUTHWEST SECURITIES

### 4 Internal control measures

To ensure that the terms offered by Lightway Green Energy to the Group are not higher than the prevailing market price for similar types of solar modules as well as not higher than price offered by Lightway Green Energy to its other customers and that the Revised Caps are not exceeded, the Group will adopt the following internal control measures:

- (i) the prices for the solar modules will be negotiated on an arm's length basis and at prices with reference to the prevailing market prices of similar products, which will be determined through periodic monthly price research conducted by Cost Management Centre of the Company by obtaining the unit price per W of solar modules charged by the independent third parties for similar products comparable to the solar modules supplied under the Master Agreement (as supplemented by the Supplemental Agreement) and through telephone inquiry or public inquiry or tender. The unit price per W for the solar modules charged by Lightway Green Energy will not be higher than the prevailing market prices of similar products;
- (ii) the internal control department of the Company will closely monitor the transaction amounts in relation to the transactions under the Master Agreement (as supplemented by the Supplemental Agreement) to ensure that the Revised Caps are not exceeded and the implementation of the relevant internal control measures as mentioned above; and
- (iii) the independent non-executive Directors and the auditor of the Company will also on a regular basis be provided with the (i) the Master Agreement (as supplemented by the Supplemental Agreement); (ii) periodic price research conducted by the Cost Management Center of the Company and/or fee quotations and/or tender documents submitted by independent third parties for the supply of the solar modules; (iii) individual purchase orders/agreements entered into between the Group and Lightway Green Energy; and (iv) individual purchase orders/agreements entered into between the Lightway Green Energy and its consumers. The independent non-executive Directors will also review and compare the relevant payment terms, payment method and fees payable under these agreements and to ensure that the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) are conducted on normal and commercial terms. The auditor of the Company will review and confirm the transactions contemplated under the Master Agreement (as supplemented by the Supplemental Agreement) are conducted in accordance with the terms of the Master Agreement (as supplemented by the Supplemental Agreement).

Given the procurement procedures and mentioned in the section headed "3. Principal terms of the Master Agreement (as supplemented by the Supplemental Agreement) — Pricing and payment terms" in this letter and the internal control measures above, we are of the view that there will be sufficient and effective procedures and arrangements in place to ensure that the transactions contemplated under the the Master Agreement (as supplemented by the Supplemental Agreement) will be conducted on terms that are fair and reasonable and on normal commercial terms as far as the Independent Shareholders are concerned.

## LETTER FROM SOUTHWEST SECURITIES

### RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Master Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms, and together with the Revised Caps, are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the entering into of the Master Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Master Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,

For and on behalf of

**Southwest Securities (HK) Capital Limited**

**Kenny How**

*Managing Director and Co-Head of Investment Banking*

*Mr. Kenny How is a licensed person registered with the Securities and Futures Commission and a responsible officer of Southwest Securities (HK) Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 14 years of experience in corporate finance industry.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (A) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company or its associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them had taken or was deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Name of Director	Nature of interest	Number of Shares/ Underlying Shares held (Note 3)	Approximate percentage of interest in the Company
Mr. Wei Shaojun	Founder of a discretionary trust	431,672,512 (L) (Note 1)	59.25%
Mr. Wei Qiang	Beneficiary of a trust	422,872,512 (L) (Note 2)	58.05%

*Notes:*

- (1) These 431,672,512 Shares are held as to 422,872,512 by Longevity Investment Holding Limited ("Longevity") and 8,800,000 by Harvest Oak Holdings Limited ("Harvest"). The entire issued share capital of Longevity is wholly owned by King River Developments Limited ("King River"), the entire issued share capital of which is in turn held by BNP Paribas Singapore Trust Corporation Limited ("BNP Paribas Trust") as the trustee for the discretionary trust set up by Mr. Wei Shaojun as founder. Mr. Wei Shaojun 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. Also, the entire issued share capital of Harvest is wholly owned by BNP Paribas Trust as the trustee. Mr. Wei Shaojun as the founder of the discretionary trust is taken to be interested in the 8,800,000 Shares held by Harvest pursuant to Part XV of the SFO. Mr. Wei Shaojun and Ms. Zhen Xiaojing are directors of Longevity.

- (2) Mr. Wei Qiang is deemed to be interested in 422,872,512 Shares held by Longevity as a beneficiary of the discretionary trust referred in Note 1 above.
- (3) The letter “L” denotes the long position in Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them had taken or deemed to have taken under the provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(B) Substantial Shareholders’ Interests and Short Positions in Shares and Underlying Shares**

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO, and so far as was known to the Directors or chief executive of the Company, the following persons, other than Directors or chief executive of the Company, had an interest or short position in the shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name of substantial shareholder	Nature of interest	Number of Shares/ Underlying Shares held <i>(Note 2)</i>	Approximate percentage of interest in the Company
Longevity	Beneficial owner	422,872,512 (L) <i>(Note 1)</i>	58.05%
King River	Interest of controlled corporation	422,872,512 (L) <i>(Note 1)</i>	58.05%
BNP Paribas Trust	Trustee	431,672,512 (L) <i>(Note 1)</i>	59.25%
China Create Capital Limited	Beneficial owner	100,000,000 (L)	13.73%

*Notes:*

- (1) These 431,672,512 Shares are held as to 422,872,512 by Longevity and 8,800,000 by Harvest. The entire issued share capital of Longevity is wholly owned by King River, the entire issued share capital of which is in turn held by BNP Paribas Trust as the trustee for the discretionary trust set up by Mr. Wei Shaojun as founder. Mr. Wei Shaojun as the founder is taken to be interested in the 422,872,512 Shares held by Longevity pursuant to Part XV of the SFO. Also, the entire issued share capital of Harvest is wholly owned by BNP Paribas Trust as the trustee for another discretionary trust set up by Mr. Wei Shaojun as founder. Mr. Wei Shaojun as the founder is taken to be interested in the 8,800,000 Shares held by Harvest pursuant to Part XV of the SFO. Mr. Wei Shaojun and Ms Zhen Xiaojing are directors of Longevity.
- (2) The letter “L” denotes the long position in Shares.

Save as disclosed above, as at Latest Practicable Date, none of the substantial shareholders of the Company had an interest or short position in the Shares which would require to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company.

#### **(C) Material Interests**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was significant in relation to the business of the Group taken as a whole.

##### **(a) *Share transfer agreement***

On 14 July 2015, Hebei Meijia Business Management Company Limited, an indirect wholly-owned subsidiary of the Company, signed a share transfer agreement with Baoding Sheng Qian City Construction and Investment Co., Ltd (“Baoding Sheng Qian”), a company controlled and held by Mr. Wei Shaojun (the ultimate controlling shareholder of the Company and the chairman of the Board), to acquire 100% equity of Baoding Sheng Chen City Construction Management Company Limited (“Baoding Sheng Chen”). Baoding Sheng Qian is thus a connected person of the Company. Based on the calculation of the net assets of Baoding Sheng Chen on a consolidation basis, the consideration of the acquisition was RMB7,873,800. Baoding Sheng Chen is entitled to the development interests for the Donghu Project, which covers three areas including the reconstruction of villages inside the city, the public infrastructure construction, as well as the primary land development and consolidation.

##### **(b) *Agreement with Longjitaihe***

On 30 September 2016, Hebei Longitech and Longjitaihe entered into an agreement in relation to the establishment of the smart energy cloud platform sub-systems by Hebei Longitech for subsidiaries of Longjitaihe at an aggregate services fees of RMB5,000,000, which will be completed by 31 December 2016.

**(c) *Agreement with Lightway Green Energy***

On 30 September 2016, Hebei Longitech and Lightway Green Energy entered into an agreement in relation to the establishment of the smart energy cloud platform sub-systems by Hebei Longitech for Lightway Green Energy at an aggregate services fees of RMB7,300,000, which will be completed by 31 December 2016.

**(d) *Master Agreement (as supplemented by the Supplemental Agreement)***

The details of the Master Agreement (as supplemented by the Supplemental Agreement) are set out in the letter from the Board as set out in this circular.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or any professional advisers named in paragraph 5 of this Appendix had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015 being the date of the latest published audited financial statements of the Company.

**(D) *Competing Interests***

As at the Latest Practicable Date, save as disclosed below, none of the Directors and his/her respective associates (as defined in the Listing Rules) was interested in any business apart from the Group's business that competes or is likely to compete (either directly or indirectly) with the Group's business.

Pursuant to Rule 8.10(2) of the Listing Rules, the following current Directors held share interests and/or directorships in companies engaged in businesses which compete or likely to compete, either directly or indirectly, with the businesses of the Group:

Mr. Wei Shaojun and Mr. Wei Qiang held share interests and directorships and Mr. Li Haichao held senior management positions in companies of the Longjitaihe Group which engage in businesses of clean energy (mainly the production and sales of solar modules and the development, construction and operation of photovoltaic power stations) and primary land development. Being a listed company that serves as the only platform for the Longjitaihe Group to engage in clean energy, the Group's principal businesses include smart energy and solar energy. In the future, the Group will be the main entity carrying out the business of smart energy and the new business of solar photovoltaic power stations. Other than the production of solar modules and the operation and maintenance of completed photovoltaic power stations, the Longjitaihe Group will not participate in the new business of the development of photovoltaic power stations or other clean energy business. On the other hand, the Group does not have any plan to further pursue the primary land development business except for the existing primary land development and the public infrastructure construction

businesses of Baoding Donghu project. On this basis, there does not exist any material competition between the businesses of the Group and those of the Longjitaihe Group in which the above Directors hold interests and/or positions.

### 3. SERVICE CONTRACTS

None of the Directors has a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation, other than statutory compensation.

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2015 being the date of the latest published audited financial statements of the Company.

### 5. QUALIFICATIONS AND CONSENTS OF EXPERT

The following is the qualification of the professional adviser who has given opinions or advice contained in this circular:

Names	Qualification
Southwest Securities	A corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) as defined under the SFO

As at the Latest Practicable Date, Southwest Securities (i) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name in the form and context in which they respectively appear; and (ii) was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

### 6. MISCELLANEOUS

The English text of this circular and the accompanying proxy form shall prevail over the Chinese text.

### 7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the material contracts referred to in the section headed “Material Interests” in this Appendix will be available for inspection by the Shareholders at principal place of business of the Company in Hong Kong at Unit 3606, 36/F, The Centre, 99 Queen’s Road Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of EGM.





**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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of LongiTech Smart Energy Holding Limited (the “Company”) will be held at 1804A, 18/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong at 10:00 a.m. on Friday, 10 March 2017 for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as an ordinary resolution of the Company. Capitalized terms used herein without definition have the same meanings as in the circular issued by the Company on 22 February 2017, unless the context otherwise requires:

**ORDINARY RESOLUTION**

1. **“THAT:**

- (a) the proposed revised annual caps for the transactions contemplated under the agreement entered into between Hebei LongiTech Cloud Energy Company Limited (河北隆基泰和雲能源科技有限公司) and Baoding Lightway Green Energy Technology Company Limited (保定光為綠色能源科技有限公司) (“Lightway Green Energy”) dated 16 November 2016 (as supplemented by an agreement entered into on 19 January 2017) (“Master Agreement”) in relation to the supply of solar modules by Lightway Green Energy to the Group for the two years ending 31 December 2018, a copy of the Master Agreement has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification, be and is hereby approved; the execution of the Master Agreement and any other agreements, documents and actions taken or to be taken in connection with Master Agreement by any Director, notwithstanding any interest he/she may have in any matters in connection with the Master Agreement, be and are hereby approved, confirmed and ratified; and

## NOTICE OF EGM

- (b) any director of the Company be and is hereby authorised on behalf of the Company to execute all such documents, in such final form or with such amendments as that director may deem appropriate, and to do all such acts or things, as he/she may in his/her absolute discretion consider necessary or desirable, to give effect to the revised annual caps.”

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

Hong Kong, 22 February 2017

*Notes:*

1. Any Shareholder entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote instead of his/her. A Shareholder who is the holder of two or more Shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder but must be present in person at the meeting to represent the Shareholder. Completion and return of the form of proxy will not preclude a Shareholder from attending the meeting and voting in person. In such event, his/her form of proxy will be deemed to have been revoked.
2. Where there are joint holders of any share, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the meeting, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the offices of the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time for holding the meeting or any adjournment thereof.
4. In accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Wei Shaojun, Mr. Wei Qiang, or any of their respective associates (as defined in the Listing Rules), are required to abstain from voting on the above ordinary resolution.
5. The ordinary resolution as set out above will be determined by way of a poll.

*As at the date of this notice, the executive Directors are Mr. Wei Shaojun, Mr. Wei Qiang, Mr. Li Haichao and Ms. Zhen Xiaojing and the independent non-executive Directors are Mr. Han Qinchun, Mr. Wong Yik Chung John and Mr. Han Xiaoping.*