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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

CONNECTED TRANSACTION IN RELATION TO FORMATION OF JOINT VENTURE

FORMATION OF JOINT VENTURE

The Board announces that on 14 May 2024 (after trading hours), Essense Hong Kong, being a direct wholly-owned subsidiary of the Company, entered into the Investment Cooperation Agreement with SDHS New Energy Development in respect of the formation of the Joint Venture in the PRC. Pursuant to the Investment Cooperation Agreement, the Total Contribution Amount (equivalent to the total amount of the Registered Capital) is RMB60,000,000, in which 40% (i.e. RMB24,000,000, being the Contribution Amount) shall be contributed by Essense Hong Kong and the remaining 60% (i.e. RMB36,000,000) shall be contributed by SDHS New Energy Development.

LISTING RULES IMPLICATIONS

On 20 March 2024 (after trading hours), the Company entered into the Previous Investment Agreement with SD International Cooperation and SDHS Energy Development in respect of the formation of the Previous Joint Venture in the PRC. The transactions under the Investment Cooperation Agreement and the Previous Investment Agreement are of the same nature.

As at the date of this announcement, (i) SDHS New Energy Development is a non-wholly owned subsidiary of SDHS Group which is owned as to 45% directly and 45% indirectly by SDHS Group; and (ii) SDHS Group through various entities owns approximately 43.45% of the issued share capital of the Company. Pursuant to Chapter 14A of the Listing Rules, (a) SDHS Group is therefore an indirect controlling shareholder and a connected person of the Company; (b) SDHS New Energy Development, SD International Cooperation and SDHS Energy Development are regarded as associates of SDHS Group and connected persons of the Company; and (c) the transactions contemplated under the Investment Cooperation Agreement and the Previous Investment Agreement constitute connected transactions of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all entered into within a 12-month period or were otherwise related. Since (i) the Investment Cooperation Agreement and the Previous Investment Agreement were entered into by the Company's subsidiary and the Company, with direct or indirect subsidiaries of SDHS Group, respectively within a 12-month period; and (ii) the transactions under the Investment Cooperation Agreement and the Previous Investment Agreement are of the same nature, the transactions under the Investment Cooperation Agreement and the Previous Investment Agreement shall be aggregated.

As at the date of this announcement, as one or more of the applicable percentage ratios set out in the Listing Rules in respect of the transactions contemplated under the Investment Cooperation Agreement when aggregated with the Previous Investment Agreement exceed 0.1% but are all less than 5%, the entering into of the Investment Cooperation Agreement is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

FORMATION OF JOINT VENTURE

On 14 May 2024 (after trading hours), Essense Hong Kong, being a direct wholly-owned subsidiary of the Company, entered into the Investment Cooperation Agreement with SDHS New Energy Development in respect of the formation of the Joint Venture in the PRC.

Principal Terms of the Investment Cooperation Agreement

The principal terms of the Investment Cooperation Agreement are set out as follows:

Date

14 May 2024 (after trading hours)

Parties

- (i) Essense Hong Kong; and
- (ii) SDHS New Energy Development.

Formation of the Joint Venture

The Joint Venture will be a limited liability company to be established in accordance with the laws of the PRC and the provisions of the Investment Cooperation Agreement. The proposed name of the Joint Venture is 山東高速魯中新能源有限公司 (Shandong Hi-Speed Luzhong New Energy Co., Ltd.*) (a tentative name subject to the final industrial and commercial registration).

Purpose of the Joint Venture

Subject to the final industrial and commercial registration, it is intended that the Joint Venture shall be principally engaged in the power generation, delivery and supply business, development, investment and operation of energy storage, photovoltaic power and wind power businesses.

Capital contribution

Pursuant to the Investment Cooperation Agreement, the Total Contribution Amount (equivalent to the total amount of the Registered Capital) is RMB60,000,000, in which 40% (i.e. RMB24,000,000, being the Contribution Amount) shall be contributed by Essense Hong Kong and the remaining 60% (i.e. RMB36,000,000) shall be contributed by SDHS New Energy Development.

The Total Contribution Amount shall be contributed on or before 30 June 2024.

The Total Contribution Amount was determined after arm's length negotiation among the Parties after taking into consideration the expected working capital requirements relating to the power related projects to be invested by the Joint Venture. The Group intends to finance its capital commitment in the Joint Venture using the internal financial resources and/or bank borrowings.

Shareholders' meetings

At the shareholders' meeting of the Joint Venture, the voting rights shall be exercised by the shareholders of the Joint Venture in accordance with the proportion of paid-up capital contribution and all matters shall be approved by shareholders holding more than two-third of the voting rights.

Board composition

The board of directors of the Joint Venture shall consist of five directors, three of which will be nominated by SDHS New Energy Development, one of which will be nominated by Essense Hong Kong and one of which will be served by an employee representative of the Joint Venture. The board of directors shall have one chairman, who will be served by a director nominated by SDHS New Energy Development.

Other personnel

The general manager and chief financial officer of the Joint Venture shall be served by nomination by Essense Hong Kong and SDHS New Energy Development, respectively. The several deputy general managers shall be nominated by Essense Hong Kong and SDHS New Energy Development respectively.

Profit sharing

The Parties shall share the after tax profits of the Joint Venture by way of dividend distribution after the deduction of accumulated losses recorded in the previous years and the withdrawal of statutory provident funds.

Transfer of equity interests in Joint Venture

Unless otherwise agreed in writing by other shareholder, the shareholders of the Joint Venture may only transfer their equity interests in the Joint Venture to their respective related parties within 36 months from the date of establishment and registration of the Joint Venture and in such case, the other shareholder shall waive its right of first refusal. If any Party intends to pledge its equity interests to a third party or create any encumbrances thereon, consent from the other Party is required.

FINANCIAL INFORMATION OF THE JOINT VENTURE

As at the date of this announcement, the Joint Venture has not been established and does not have any historical financial results. The Joint Venture will be accounted for as an associated company of the Company upon its establishment.

PREVIOUS INVESTMENT AGREEMENT

On 20 March 2024 (after trading hours), the Company entered into the Previous Investment Agreement with SD International Cooperation and SDHS Energy Development in respect of the formation of the Previous Joint Venture in the PRC. Pursuant to the Previous Investment Agreement, the total contribution amount (equivalent to the total amount of the registered capital) shall be RMB45,000,000, in which 30% (i.e. RMB13,500,000, being the investment amount of the Company) shall be contributed by the Company, 40% (i.e. RMB18,000,000) shall be contributed by SD International Cooperation and the remaining 30% (i.e. RMB13,500,000) shall be contributed by SDHS Energy Development. The transactions under the Investment Cooperation Agreement and the Previous Investment Agreement are of the same nature.

As at the date of this announcement, (i) each of SD International Cooperation and SDHS Energy Development is a direct wholly-owned subsidiary of SDHS Group; and (ii) SDHS Group through various entities owns an aggregate of approximately 43.45% of the issued share capital of the Company. Pursuant to Chapter 14A of the Listing Rules, (a) SDHS Group is therefore an indirect controlling shareholder and a connected person of the Company; (b) each of SD International Cooperation and SDHS Energy Development is an associate of SDHS Group and connected person of the Company; and (c) the transactions contemplated under the Previous Investment Agreement constitute a connected transaction of the Company.

For further details of the Previous Investment Agreement, please refer to the announcement of the Company dated 20 March 2024.

APPROVAL BY THE BOARD

None of the Directors has any material interest in the Investment Cooperation Agreement and the transactions contemplated thereunder and no Director is required to abstain from voting on the relevant Board resolutions. However, to avoid any potential conflict of interest, Mr. Wang Xiaodong, Mr. Zhu Jianbiao, Mr. Wang Wenbo and Ms. Liao Jianrong had voluntarily abstained from voting on the resolutions of the Board approving the Investment Cooperation Agreement and the transactions contemplated thereunder.

Save as disclosed above, no other Director had abstained from voting on the Board resolutions at relevant Board meetings approving the Investment Cooperation Agreement and the transactions contemplated thereunder.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

The formation of the Joint Venture will enable the Company and SDHS Group to leverage their respective strengths, advance strategic layout in the new energy sector, and enhance synergy benefits within the industry. The formation of the Joint Venture is beneficial for meeting the needs of the energy storage supporting business of the existing wind power projects of the Company, optimizing resource allocation and sharing the benefits of market development. It will further enhance the competitiveness and market position of the Company, and consolidate the long-term, sustainable, and high-quality development pace.

The Board (including the independent non-executive Directors) is of the view that the terms of the Investment Cooperation Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and are in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION OF THE PARTIES

Information on the Company and the Group

The Company is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange (Stock Code: 1250). The principal activity of the Company is investment holding. The Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the PRC.

Essense Hong Kong

As at date of this announcement, Essense Hong Kong is a direct wholly-owned subsidiary of the Company and is principally engaged in investment holding.

SDHS New Energy Development

As at date of this announcement, SDHS New Energy Development is held directly as to 45%, 45% and 10% by SDHS Group, SDHS Energy Development and 山東奧太電氣有限公司 (Shandong Aotai Electric Co., Ltd.*) (“**Shandong Aotai**”), respectively. SDHS Energy Development is in turn a direct wholly-owned subsidiary of SDHS Group. Therefore, SDHS New Energy Development is a 90% non-wholly owned subsidiary of SDHS Group. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, each of Shandong Aotai and its ultimate beneficial owners are Independent Third Parties.

SDHS New Energy Development is principally engaged in power generation business, power transmission business, power supply (distribution) business, new energy business, investment activities, wind and photovoltaic power technological service, charging, smart energy management and control systems.

SDHS Group

As at the date of this announcement, SDHS Group is (i) directly and indirectly held as to 90% by the Shandong Provincial State-owned Assets Supervision and Administration Commission; and (ii) directly held as to 10% by 山東省財欣資產運營有限公司 (Shandong Caixin Asset Operation Co., Ltd.*), a governmental institution set up by the 山東省人民政府 (Shandong Provincial People’s Government*). SDHS Group is an investment holding company in the infrastructure sector in Shandong Province with total assets of more than RMB1.5 trillion. It operates and manages over 8,700 kilometres of expressways and has invested in six publicly listed companies, the shares of which are listed on the stock exchanges in Hong Kong, Shanghai and Shenzhen. It has been awarded domestic AAA-level and international A-level credit ratings. It has also been ranked as one of the “Top 500 Chinese Enterprises” for 17 consecutive years and it was on the “Fortune 500” both in 2022 and 2023.

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Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all entered into within a 12-month period or were otherwise related. Since (i) the Investment Cooperation Agreement and the Previous Investment Agreement were entered into by the Company's subsidiary and the Company, with direct or indirect subsidiaries of SDHS Group, respectively within a 12-month period; and (ii) the transactions under the Investment Cooperation Agreement and the Previous Investment Agreement are of the same nature, the transactions under the Investment Cooperation Agreement and the Previous Investment Agreement shall be aggregated.

As at the date of this announcement, as one or more of the applicable percentage ratios set out in the Listing Rules in respect of the transactions contemplated under the Investment Cooperation Agreement when aggregated with the Previous Investment Agreement exceed 0.1% but are all less than 5%, the entering into of the Investment Cooperation Agreement is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate”	has the meanings as ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Shandong Hi-Speed New Energy Group Limited (山高新能源集團有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1250)
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Contribution Amount”	the contribution amount of RMB24,000,000 to be contributed by Essense Hong Kong to the Joint Venture under the Investment Cooperation Agreement
“Directors”	the directors of the Company
“Essense Hong Kong”	Essense (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected person(s) (as defined in the Listing Rules) of the Company
“Investment Cooperation Agreement”	the agreement dated 14 May 2024 entered into by and among the Parties in respect of the formation of the Joint Venture in the PRC
“Joint Venture”	山東高速魯中新能源有限公司 (Shandong Hi-Speed Luzhong New Energy Co., Ltd.*) (a tentative name subject to the industrial and commercial registration), a limited company to be established under the laws of the PRC pursuant to the Investment Cooperation Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Parties”	comprising Essense Hong Kong and SDHS New Energy Development, each a “Party”
“PRC”	the People’s Republic of China
“Previous Investment Agreement”	the agreement dated 20 March 2024 entered into by and among the Company, SDHS Energy Development and SD International Cooperation in respect of the formation of the Previous Joint Venture in the PRC
“Previous Joint Venture”	山東高速國際新能源有限公司 (Shandong Hi-Speed International New Energy Co., Ltd.*), a limited company established under the laws of the PRC pursuant to the Previous Investment Agreement
“Registered Capital”	the registered capital of the Joint Venture of RMB60,000,000 pursuant to the Investment Cooperation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SDHS Group”	Shandong Hi-Speed Group Co. Ltd., a company established in the PRC with limited liability and an indirect controlling shareholder of the Company
“SDHS Energy Development”	山東高速能源發展有限公司 (SDHS Energy Development Co., Ltd.*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of SDHS Group
“SDHS New Energy Development”	山東高速新能源開發有限公司 (Shandong Hi-Speed New Energy Development Co., Ltd.*), a company established in the PRC with limited liability and a 45% direct and 45% indirect non-wholly owned subsidiary of SDHS Group
“SD International Cooperation”	中國山東國際經濟技術合作有限公司 (China SDHS International Economic and Technical Cooperation Co., Ltd.*), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of SDHS Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Total Contribution Amount” the total capital contribution in the amount of RMB60,000,000 to be contributed by the Parties to the Joint Venture pursuant to the Investment Cooperation Agreement

“%” per cent

By Order of the Board
Shandong Hi-Speed New Energy Group Limited
Wang Xiaodong
Chairman

Hong Kong, 14 May 2024

As at the date of this announcement, the Board comprises Mr. Wang Xiaodong, Mr. Zhu Jianbiao, Mr. Wang Wenbo, Mr. Sun Qingwei, Ms. Liao Jianrong, Mr. Li Li, Mr. He Yongbing and Mr. Wang Meng as executive Directors; and Professor Qin Si Zhao, Mr. Victor Huang, Mr. Yang Xiangliang and Mr. Chiu Kung Chik as independent non-executive Directors.

* *For identification purposes only*