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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

DISCLOSEABLE TRANSACTION IN RELATION TO PRE-ACQUISITION OF ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

PRE-ACQUISITION

The Board announces that on 1 December 2023 (after trading hours), the Purchaser, being an indirect wholly-owned subsidiary of the Company, the Vendor, the Main Contractor and the Target Company entered into the Pre-acquisition Agreement, pursuant to which, the Purchaser agreed (subject to fulfillment of certain conditions precedent as described below) to acquire from the Vendor the entire equity interest in the Target Company at the consideration, being the Total Cooperation Consideration, upon completion of the construction and commencement of grid-connected power generation of the Target Project.

Upon the Completion, the Purchaser shall hold entire equity interest in the Target Company, and the Target Company shall become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Pre-acquisition exceeds 5% but is less than 25%, the Pre-acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

PRE-ACQUISITION OF ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

The Board announces that on 1 December 2023 (after trading hours), the Purchaser, being an indirect wholly-owned subsidiary of the Company, the Vendor, the Main Contractor and the Target Company entered into the Pre-acquisition Agreement, pursuant to which, the Purchaser agreed (subject to fulfillment of certain conditions precedent as described below) to acquire from the Vendor the entire equity interest in the Target Company at the consideration, being the Total Cooperation Consideration, upon completion of the construction and commencement of grid-connected power generation of the Target Project.

Upon the Completion, the Purchaser shall hold entire equity interest in the Target Company, and the Target Company shall become an indirect wholly-owned subsidiary of the Company.

Details of the Pre-acquisition Agreement are set out as follows:

- Date : 1 December 2023
- Parties : the Purchaser (as transferee)
- the Vendor (as transferor)
- the Main Contractor (as EPC main contractor for the Target Project)
- the Target Company (as the Target Company)
- Subject Matter : Pursuant to the Pre-acquisition Agreement:
- i. it is intended that upon completion of construction and commencement of the grid-connected power generation of the Target Project, the Purchaser agrees to acquire entire equity interest in the Target Company held by the Vendor;

- ii. the Vendor has entrusted the Purchaser to supervise the construction of the Target Project (including but not limited to preliminary design review, land related matters and the procedures of grid connection, construction quality and progress control, etc.); and
- iii. pursuant to the EPC Main Contract, the Main Contractor shall undertake the entire process of design, procurement, construction and trial operation of the Target Project and shall be responsible for the quality, safety, cost and progress of the contracted projects.

Consideration

- : The total cooperation consideration of the Target Project (the “**Total Cooperation Consideration**”) comprises the aggregate amount of the Equity Transfer Consideration together with the EPC Project Liabilities. Total Cooperation Consideration shall be calculated by the cost control level multiplies by the Actual Grid-connected Capacity and multiplies by a capacity ratio of 1.15 (the Target Project is divided into 18 sub-projects, and the calculation is based on the construction of grid-connected power generation individually). Details of calculation of Total Cooperation Consideration are as follows:
- i. If the completed grid-connected capacity of the Target Project is more than or equal to 30 megawatt, the finalized cost of the Target Project will be fixed at RMB5 per watt (tax inclusive) as the agreed unit cost level.
 - ii. If the completed grid-connecting capacity of the Target Project is more than or equal to 50 megawatt, the finalized cost of the Target Project will be fixed at RMB5.05 per watt (tax inclusive) as the agreed unit cost level.
 - iii. If the completed grid-connecting capacity of the Target Project is more than or equal to 80 megawatt, the finalized cost of the Target Project will be fixed at RMB5.1 per watt (tax inclusive) as the agreed unit cost level.

For further information in relation to the consideration, please refer to the paragraph headed “Basis for Determination of Consideration” in this announcement below.

- Equity Transfer
Consideration
Payment Terms
- : i. First payment: 50% of the Equity Transfer Consideration will be paid upon fulfillment of the following conditions simultaneously:
- a. The equity transfer agreement is signed and becomes effective;
 - b. Completion of the registration of changes in equity with the relevant industrial and commercial authority;
 - c. Completion of the transfer of the Target Company as agreed in the equity transfer agreement and its supplemental agreement;
 - d. Obtaining the electricity tariff documentation; and
 - e. Obtaining the first electricity tariff payment.
- ii. Second payment: 30% of the Equity Transfer Consideration will be paid upon fulfillment of the following conditions simultaneously:
- a. Completion of technical acceptance of each sub-project of the Target Project;
 - b. Completion of the completion inspection of the Target Project (the completion inspection shall be completed within 6 months from the commencement date of operation of the project and approved by the Purchaser); and
 - c. The Target Company obtains the tax compliance certificate.

iii. Third Payment: 20% of the Equity Transfer Consideration will be paid upon fulfillment of the following condition:

Completion of all pre-construction, construction and completion procedures required for the project.

Payment terms of the EPC Project Liabilities : The Purchaser shall bear the aggregate amount of liabilities of the Target Company incurred in relation to the EPC Main Contract prior to the date on which the registration of transfer of 100% equity interest in the Target Company to the Purchaser. The payment terms are as follows:

Phase I:

Upon completion of the bank verification within 2 working days after receipt of the pre-payment guarantee (please refer to paragraph headed “Guarantee of Main Contractor” below) from the Main Contractor, the Purchaser shall pay the first installment of the Total Cooperation Consideration of RMB41,310,000 to the Main Contractor within 5 working days.

The phase I payment of EPC Project Liabilities shall be paid within 15 working days after completion of the transfer of 100% equity interest in the Target Company to the Purchaser and the registration thereof. The first installment of the Total Cooperation Consideration amounting to RMB41,310,000, shall be converted to the phase I payment of the EPC Project Liabilities, and such payment shall not exceed 80% of the total amount of cumulative of the EPC Project Liabilities.

Phase II:

Upon the project has passed the trial run in accordance with the Actual Grid-connected Capacity and grid connection, and the project has completed all pre-construction, construction and completion of construction procedures, the phase II payment of EPC Project Liabilities will be made, and such payment shall not exceed 90% of the total amount of cumulative of the EPC Project Liabilities.

Phase III:

Upon completion and acceptance of the project in accordance with the Actual Grid-connected Capacity and grid connection, the phase III payment of EPC Project Liabilities will be made, and such payment shall not exceed 97% of the total amount of cumulative of the EPC Project Liabilities.

The remaining balance of the EPC Project Liabilities will be retained as warranty.

If the Purchaser fails to fulfill all the conditions for the acquisition of 100% equity interest in the Target Company and as a result of which the Purchaser rescinds the Pre-acquisition Agreement, the Main Contractor shall return the first installment of the Total Cooperation Consideration (i.e. RMB41,310,000) paid by the Purchaser within 10 working days upon receipt of the Purchaser's notice of rescission of the Pre-acquisition Agreement in writing. If the Main Contractor fails to do so or fails to return the same in full within a certain period of time, the Main Contractor is considered to be in default of the contract, and the Purchaser shall be entitled to execute the bank guarantee provided by the Main Contractor to the Purchaser.

- Pledge of shares : Within 5 working days after the signing of the Pre-acquisition Agreement, the Vendor is required to pledge 100% of the equity interest in the Target Company to the Main Contractor and complete the registration procedures, and transfer all legal and valid certificates, financial information, seals, documents and data of the Target Company to the Main Contractor for supervision.
- Guarantee of the Main Contractor : The Main Contractor shall be responsible for providing the Purchaser with an irrevocable, on-demand pre-payment guarantee in the amount of RMB41,310,000 approved by the Purchaser, which shall be valid from the date of issuance to 30 June 2024. Upon completion of the bank verification within 2 working days after receipt of the pre-payment guarantee, the Purchaser shall pay the first installment of the Total Cooperation Consideration of RMB41,310,000 to the Main Contractor within 5 working days.
- Conditions precedent to the Completion of the Target Project :
i. prior to the commissioning of the Target Project, the change in the equity interest of the Target Company is legal and compliant, with no significant risks that affect the normal operation of the Target Project and the Target Company;
ii. the Target Project shall commence on-grid connection for power generation in accordance with the time schedule as set out in the Pre-acquisition Agreement;
iii. the corresponding electricity tariff approval for the on-grid tariff of RMB0.3749 per kilowatt-hour (tax inclusive) or relevant electricity tariff supporting documents have been obtained, or the conditions as required by national tariff policy documents have been met;

- iv. each of the target sub-projects has obtained pre-approval opinions for the use of land, approval of the environmental impact assessment, approval of water and soil conservation plan, (approval of flood impact assessment or non-flood replacements) overlaid mineral resources investigation, cultural relics protection verification certificates, review opinions for military facilities impact assessment, social stability assessment, approval of the grid connection system, grid connection agreement, electricity purchase and sale contracts, land leasing agreements, project approval (filing) and other necessary preliminary approvals and documents respectively, completed the relevant procedures of the use of land and paid taxes and fees, including but not limited to land use compensation fees for land expropriation and leasing, vegetation restoration fees, water and soil conservation facility fees, farmland occupancy tax, land acquisition fees and charges for construction land;
- v. the Target Project does not occupy basic farmland, national first-class public welfare forests, nature reserves, natural heritage sites, national parks, forest parks, wetland parks, geological parks, scenic spots, grasslands, basic grasslands, water source protection areas, rivers, lakes, reservoirs, major migration corridors and migration sites for birds and other areas within the ecological protection redline, and the land prohibited from use by national laws and regulations, such as coastal trunk shelterbelt and wave shelterbelt;
- vi. the Target Project does not involve any significant subversive risk in terms of overlaid mines, cultural relics, land construction procedures, etc., and does not involve prohibited military zones, military management zones, military or civilian airport controlling areas, airways, oil and gas pipelines and protection areas;

- vii. the construction quality of the Target Project meets the standards of the state, the industry and the Purchaser, as well as the requirements of the Pre-acquisition Agreement, with no major safety or quality issues;
- viii. the Purchaser has conducted technical, financial and legal due diligence and there is no material inconsistency with the information and data provided by the Vendor or significant subversive factors, which would materially and adversely affect the Purchaser's acquisition;
- ix. the Target Company does not provide any other guarantees or encumbrances to third parties other than the pledge to the Main Contractor incurred in connection with the construction of the Target Project;
- x. the Target Company does not have any outstanding criminal penalties within 36 months prior to the signing of the formal equity transfer agreement between the Purchaser and the Vendor;
- xi. the Target Company has not committed any major illegal acts that have resulted in serious environmental pollution, material casualties or other adverse social impacts; and
- xii. both the Purchaser and the Vendor have obtained such internal approval and authorisation as may be required for the completion of the equity transfer.

Completion : All parties have confirmed that no later than 1 July 2024 and upon the preliminary acceptance of the project by the Purchaser and fulfillment of the above conditions precedent, the Purchaser shall initiate the equity transfer and acquisition procedures of the Target Company and complete the transfer of 100% equity interest in the Target Company, and the Main Contractor undertakes to handle the release of the equity pledge within 5 working days from the date of fulfillment of the above conditions precedent to release the equity interest in the Target Company, and completes the registration of release of the pledge of equity interest in the Target Company. Both the Purchaser and the Vendor shall seek to complete the transfer of equity interest within one month from the date of completion of the registration in relation to the pledge release.

Basis for Determination of Consideration

The aggregate amount of the Total Cooperation Consideration is determined by the Purchaser and the Vendor on the basis of the Actual Grid-connected Capacity of the Target Project (subject to completion of the project) multiplied by the cost control level (i.e. a maximum of RMB5.1 per watt). If the Actual Grid-connected Capacity is 81 megawatt, the aggregate amount of the Total Cooperation Consideration will not be higher than RMB475,065,000.

The Total Cooperation Consideration comprises the Equity Transfer Consideration plus the EPC Project Liabilities. Assuming the Total Cooperation Consideration is the maximum amount of RMB475,065,000, (i) the Equity Transfer Consideration equals to the value of the Target Company as assessed by a third-party appraisal intermediary approved by the Purchaser and the Vendor, and such appraised value shall not be higher than RMB24,480,000, which is to be confirmed by the Purchaser's parent unit; and (ii) the EPC Project Liabilities will not be higher than RMB450,585,000 (subject to the Actual Grid-connected Capacity). If the Actual Grid-connected Capacity is less than 81 megawatt, the Total Cooperation Consideration will be then less than RMB475,065,000, and as a result, the Equity Transfer Consideration and the EPC Project Liabilities will be proportionately reduced. For the method of calculation of the Total Cooperation Consideration, please refer to the paragraph headed "Consideration" in this announcement above.

The Total Cooperation Consideration was determined after arm's length negotiations between the Purchaser and the Vendor after taking into consideration the following factors: (i) the actual paid-up capital of the Target Company, its unaudited net asset value and total assets (prepared in accordance with the PRC Generally Accepted Accounting Principles); (ii) the prospects of the business activities of the Target Company; and (iii) the benefits that may be brought to the Group as a result of the acquisition of the Target Company as described in the section headed "Reasons for and Benefits of the Pre-acquisition Agreement". The Purchaser will finance the consideration for the acquisition of the Target Company by internal resources of the Group.

Target Project

The Target Project is for the preparation and construction of a distributed photovoltaic project with a total capacity of 81 megawatt (subject to the Actual Grid-connected Capacity) in Yi County, Jinzhou City, Liaoning Province, the PRC.

The construction of the project shall meet the requirements of the approved preliminary design, and the construction standards of the project shall be in accordance with the relevant national and industry regulations and the corporate standards of the Purchaser, and shall meet the various requirements of the PRC, the grid corporation and the Purchaser in respect of the grid connection of photovoltaic power plants with regionalized centralized monitoring, and the project shall pass the corresponding acceptance by the Purchaser.

Completion timeline of the Target Project

The parties have agreed that the first batch of units of the Target Project shall be connected to the grid for power generation by 31 December 2023 and units with capacity of not less than 30 megawatt shall be connected to the grid for power generation by 30 June 2024.

INFORMATION OF THE PARTIES

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.

The Purchaser

The Purchaser is a company established in the PRC with limited liability. As at the date of this announcement, the Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

The Vendor

The Vendor is a company established in the PRC with limited liability and is wholly-owned by 義縣凱利軍輝光伏發電有限公司 (Yi County Kaili Junhui Photovoltaic Power Generation Co., Ltd.*), the ultimate beneficial owner of which is Fu Guoli (付國利). As at the date of this announcement, the Vendor is principally engaged in the electricity and heat generation and supply industries and holds the entire equity interest in the Target Company.

The Main Contractor

The Main Contractor is a company established in the PRC with limited liability. As at the date of this announcement, the Main Contractor is principally engaged in wholesale of hardware products, sale of wind farm related equipment, engineering technical services, wind power generation technical services, solar power generation technical services; power generation technical services. It is wholly-owned by China XD Group Co., Ltd., which is a state-owned enterprise.

Target Company

The Target Company is a company established in the PRC with limited liability on 8 July 2021. As at the date of this announcement, the Target Company is principally engaged in electricity generation, transmission and supply business, various engineering construction activities, solar power generation technical services, wind power generation technical services, operation of charging infrastructure for electric vehicles and is a wholly-owned subsidiary of the Vendor.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, all of the Vendor, Main Contractor and the Target Company and their respective ultimate beneficial owners are Independent Third Parties.

Set out below are certain unaudited financial information of the Target Company (prepared in accordance with the PRC Generally Accepted Accounting Principles) from the date of establishment to 31 December 2021 and for the two years ended 31 December 2022 respectively:

	For the year ended 31 December 2021 (unaudited) (Approximate) RMB	For the year ended 31 December 2022 (unaudited) (Approximate) RMB
(Loss) before tax	(1,199.93)	(1,199.70)
(Loss) after tax	(1,199.93)	(1,199.70)

As at 31 July 2023, the unaudited net liabilities value and total assets of the Target Company (prepared in accordance with the PRC Generally Accepted Accounting Principles) were approximately RMB3,186.43 and RMB7,013.57 respectively.

REASONS FOR AND BENEFITS OF THE PRE-ACQUISITION AGREEMENT

The Group is positioned as a flagship new energy enterprise under Shandong Hi-Speed Group, with development, investment and operation of new energy, namely wind power and photovoltaic power, and urban clean heat supply services as its core businesses, to become a first-class integrated new energy operator and service provider in the PRC and strive to become the first tier in the industry.

As a developer of photovoltaic power plant projects, the Group has to engage the Main Contractor to provide engineering, procurement and construction services to construct the Target Project. The Group believes that the Vendor and the Main Contractor have extensive local resources and each of them can deliver service at a quality standard which meets the expectations of the Group.

The acquisition of the Target Project by the Group allows the Company to obtain the entire rights and interests of the Target Company which is principally engaged in, among others, development, construction, operation and management of Target Project. The Board believes that the acquisition of the Target Company by the Group is in line with the development strategy to promote the revolution in energy production and consumption, and build a clean, low-carbon, safe and efficient energy system. It represents an opportunity to broaden the Group's business portfolio in the photovoltaic power generation industry and enables positive earnings contributions that may be brought by the Target Company to the prospects of the Group's photovoltaic power generation business. In addition, the terms of the Pre-acquisition Agreement were determined after arm's length negotiations between the Purchaser, the Vendor, the Main Contractor and the Target Company. In view of the above, the Board considers that the terms of the Pre-acquisition Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Pre-acquisition exceeds 5% but is less than 25%, the Pre-acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Actual Grid-connected Capacity”	the completed and installed direct current power generation capacity as confirmed by the Purchaser, the Vendor, the Main Contractor and the Target Company on 30 June 2024, and the capacity ratio of each project shall not exceed 1:1.15
“associates”	has the meaning 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)
“Completion”	completion of the acquisition of the entire equity interest in the Target Company in accordance with the terms and conditions of the Pre-acquisition Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EPC Main Contract”	the EPC main contract to be entered into between the Vendor and the Main Contractor in relation to the whole process of contracting for the design, procurement, construction and commissioning of the Target Project and the responsibilities for the quality, safety, cost and progress of the works to be contracted by the Main Contractor
“EPC Project Liabilities”	the aggregate amount of liabilities of the Target Company incurred in relation to the EPC Main Contract prior to the date on which the registration of transfer of equity interest to the Purchaser, which shall be borne by the Purchaser
“Equity Transfer Consideration”	the nominal price at which the Vendor transfers the entire equity interest in the Target Company to the Purchaser
“Main Contractor”	西安西電新能源有限公司 (Xi’an Xidian New Energy Co., Ltd.*), a company established in the PRC with limited liability and an Independent Third Party
“Group”	the Company and its subsidiaries

“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of any member of the Group, the Directors, the chief executives, the controlling shareholders, the substantial shareholders of each of the subsidiaries of the Company, and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Pre-acquisition”	the acquisition of the entire equity interest in the Target Company under the Pre-acquisition Agreement
“Pre-acquisition Agreement”	the pre-acquisition agreement dated 1 December 2023 entered into by the Purchaser, the Vendor, the Main Contractor and the Target Company, in relation to all equity interest in the Target Company proposed to be transferred by the Vendor to the Purchaser after the completion, grid connection and power generation of the Target Project
“Purchaser”	天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Hi-Speed Group”	山東高速集團有限公司 (Shandong Hi-Speed Group Co., Ltd.*), a company established in the PRC with limited liability and an indirect controlling shareholder of the Company, holding approximately 43.45% of the issued share capital of the Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	義縣聚享電力新能源有限公司 (Yi County Juxiang Power New Energy Co., Ltd.*), which is responsible for the development of the Target Project

“Target Project”	the distributed photovoltaic project with a total capacity of 81 megawatt located in Yi County, Jinzhou City, Liaoning Province of the PRC, which comprises 18 sub-projects in aggregate
“Total Cooperation Consideration”	the aggregate amount of the Equity Transfer Consideration together with the EPC Project Liabilities, which is the total cooperation consideration for the Target Project and shall not be higher than RMB475,065,000 (subject to the Actual Grid-connected Capacity)
“Vendor”	義縣盛弘電力新能源有限公司 (Yi County Shenghong Power New Energy Co., Ltd.*), a company established in the PRC with limited liability and an Independent Third Party
“%”	per cent.

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

Hong Kong, 1 December 2023

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 purpose only*