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Standard Development Group Limited

標準發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1867)

DISCLOSEABLE AND CONNECTED TRANSACTION INVESTMENT AGREEMENT

INVESTMENT AGREEMENT

The Board is pleased to announce on 20 December 2022 (after trading hours), Standard Development (Shandong), an indirect wholly-owned subsidiary of the Company, has entered into the Investment Agreement with the Target Company, Shandong Finance Energy and Dongying Haibao. Pursuant to the Investment Agreement, Standard Development (Shandong), Shandong Finance Energy and Dongying Haibao agreed to contribute a total amount of RMB20.0 million, RMB19.2 million and RMB800,000 into the Target Company in cash as registered capital of the Target Company, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Liu Zhancheng is through Fujincheng interested in 1,118,460,000 Shares, representing approximately 74.86% of the issued share capital of the Company. Mr. Liu Zhancheng is therefore a controlling shareholder of the Company. Each of Shandong Fujincheng and Shandong Investment holds 50% of the equity interest in Shandong Finance Energy. Shandong Finance Group controls 75% of the equity interest in Shandong Investment and 25% of the equity interest in Shandong Investment is beneficially held by Shandong Fujincheng, which is wholly-owned by Mr. Liu Zhancheng. As such, Shandong Finance Energy is an associate of Mr. Liu Zhancheng and a connected person of the Company.

As one or more of the applicable percentage ratios in respect of the Investment exceed 5% but all are lower than 25%, the Investment constitutes a discloseable and connected transaction of the Company under the Listing Rules, and thus is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapters 14 and 14A the Listing Rules.

As Mr. Liu Zhancheng is interested in 50% of the equity interest in Shandong Finance Energy, he is deemed to have material interest in and has abstained from voting on the Board resolutions in relation to the Investment Agreement and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Investment Agreement and the transactions contemplated thereunder.

INDEPENDENT FINANCIAL ADVISER

The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Investment Agreement and the transactions contemplated thereunder.

EGM

The EGM will be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Investment Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Mr. Liu Zhancheng is interested in 50% of the equity interest in Shandong Finance Energy and is therefore deemed to have a material interest in the Investment Agreement and the transactions contemplated thereunder. As such, Mr. Liu Zhancheng and his associates (including Fujincheng which holds 1,118,460,000 Shares, representing approximately 74.86% of the issued share capital of the Company) are required to abstain from voting on the resolutions in relation to the Investment Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Investment and is therefore required to abstain from voting at the EGM on the relevant resolution(s).

A circular containing, among others, (i) details of the Investment Agreement; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advices to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM; and (v) other information in relation to the Company as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 13 January 2023 in accordance with the requirements under the Listing Rules.

WARNING

Shareholders and potential investors of the Company should be aware that Completion is subject to the condition to be satisfied (i.e. the Independent Shareholders' approval at the EGM), and consequently the Investment Agreement and the transactions contemplated thereunder may or may not be proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing or contemplating dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce on 20 December 2022 (after trading hours), Standard Development (Shandong), an indirect wholly-owned subsidiary of the Company, has entered into the Investment Agreement with the Target Company, Shandong Finance Energy and Dongying Haibao. Pursuant to the Investment Agreement, Standard Development (Shandong), Shandong Finance Energy and Dongying Haibao agreed to contribute a total amount of RMB20.0 million, RMB19.2 million and RMB800,000 into the Target Company in cash as registered capital of the Target Company, respectively.

INVESTMENT AGREEMENT

Principal terms of the Investment Agreement are set out below:

Date

20 December 2022 (after trading hours)

Parties

- (i) Standard Development (Shandong);
- (ii) the Target Company;
- (iii) Shandong Finance Energy; and
- (iv) Dongying Haibao.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, as at the date of this announcement, Dongying Haibao and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Subject matter

Standard Development (Shandong), Shandong Finance Energy and Dongying Haibao agreed to contribute a total amount of RMB20.0 million, RMB19.2 million and RMB800,000 into the Target Company in cash as registered capital of the Target Company, respectively.

Condition precedent

Completion shall be subject to the passing of resolution(s) approving the Investment Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM in accordance with the Listing Rules. If the above condition is not satisfied, the Investment Agreement will automatically lapse, except for any antecedent breaches.

Restriction on transfer

A shareholder may transfer its equity interests in the Target Company, but such transfer shall be subject to the right of first refusal of the other shareholders.

Matters requiring unanimous consent of the shareholders of the Target Company

The matters which require the unanimous consent of the shareholders of the Target Company are, among others, as follows:

- (1) any borrowing of the Target Company from any bank, financial institution or persons;
- (2) issuance of bonds or similar securities of the Target Company;
- (3) creating any encumbrances on any of the assets of the Target Company (except for normal business operations), provision of external guarantees and provision financial assistance to any third party;
- (4) changes in the operating policy and investment plan of the Target Company;
- (5) change of directors and the determination of the remuneration of directors;
- (6) appointment and dismissal of the financial controller and other key personnel of the Target Company;

- (7) reviewing and approving the report of the board of directors, the annual financial budget plan, the final account plan of the Target Company, the profit distribution plan and the loss recovery plan of the Target Company;
- (8) amendment, termination, and renegotiation of existing major agreements of the Target Company;
- (9) any changes in the capital structure of the Target Company, including but not limited to any increase or decrease in registered capital, issuance of any securities, capitalisation issue, and bonus shares;
- (10) any corporate reorganization of the Target Company, including all forms of acquisitions, mergers, divisions, dissolutions, liquidations, recapitalizations, establishment of subsidiaries or any similar transactions;
- (11) amendment of the articles of association of the Target Company;
- (12) any profit distribution of the Target Company, including bonuses, bonus shares, and dividends;
- (13) opening or closing bank accounts of the Target Company, or making any changes to authorised signatories and operation procedures of the bank accounts; and
- (14) any material change in the nature or scope of the business of the Target Company.

Basis of determining the capital contribution amount

The capital contribution proposed to be made by the Group into the Target Company was determined after arm's length negotiations between the parties to the Investment Agreement, having taken into account of, among other things: (i) the respective shareholding proportion of all the shareholders in the Target Company; (ii) the funding needs of the Target Company for its future business; (iii) the development and growth potential of the Target Company; and (iv) the reasons for entering into the Investment Agreement as discussed in the section headed "Reasons for and Benefits of the Investment" in this announcement.

The capital contribution proposed to be made by the Group into the Target Company will be satisfied by the internal resources of the Group.

Changes to shareholding structure of the Target Company

The table below sets out the registered capital of the Target Company and the shareholding of the shareholders of the Target Company (i) as at the date of this announcement; and (ii) immediately upon Completion:

Name of shareholder	As at the date of this announcement		Immediately upon Completion	
	Contribution to registered capital of the Target Company <i>RMB (million)</i>	Shareholding (%)	Contribution to registered capital of the Target Company <i>RMB (million)</i>	Shareholding (%)
Shandong Finance Energy	0.8	8	20	40
Dongying Haibao	9.2	92	10	20
Standard Development (Shandong)	—	—	20	40
Total	10	100	50	100

INFORMATION ON THE COMPANY AND THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in construction and engineering related businesses in the PRC and Hong Kong, including interior fitting-out and renovation services, alteration and addition works for properties, and trading businesses.

INFORMATION ON STANDARD DEVELOPMENT (SHANDONG)

Standard Development (Shandong) is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company and is principally engaged in construction and engineering related businesses and trading of petroleum products.

INFORMATION ON SHANDONG FINANCE ENERGY

Shandong Finance Energy is a company established under the laws of the PRC with limited liability and is principally engaged in petrochemical supply chain business and investment holdings. As at the date of this announcement, each of Shandong Fujincheng and Shandong Investment holds 50% of the equity interest in Shandong Finance Energy. Shandong Finance Group (a company ultimately controlled by the Shandong Provincial Department of Finance) controls 75% of the equity interest in Shandong Investment and 25% of the equity interest in Shandong Investment is beneficially held by Shandong Fujincheng, which is wholly-owned by Mr. Liu Zhancheng. Mr. Liu Zhancheng is a director and the general manager of Shandong Finance Energy.

INFORMATION ON DONGYING HAIBAO

Dongying Haibao is a company established under the laws of the PRC with limited liability and is principally engaged in production of bromine, production and sale of sodium chloride, aquaculture and trading of petroleum products. As at the date of this announcement, the ultimate beneficial owner of Dongying Haibao is Mr. Zhang Xiaochuan. Dongying Haibao is a customer of the Group in the PRC.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC on 21 October 2021 with limited liability. As at the date of this announcement, the Target Company is held as to 92% of its equity interest by Dongying Haibao and 8% of its equity interest by Shandong Finance Energy. As at the date of this announcement, the Target Company has been formulating business plans in preparation for commencement of operations.

Financial information of the Target Company

Set out below is a summary of the unaudited financial information of the Target Company for the financial year ended 31 December 2021 and for the ten months ended 31 October 2022:

	For the year ended 31 December 2021 (RMB) (unaudited)	For the ten months ended 31 October 2022 (RMB) (unaudited)
Revenue	–	–
Net profit/(loss) before tax	(138,489.07)	(1,398,459.82)
Net profit/(loss) after tax	(138,489.07)	(1,398,459.82)

According to the unaudited consolidated financial statements of Target Company, the consolidated net assets of the Target Company as at 31 October 2022 was approximately RMB7.67 million.

As Standard Development (Shandong) will hold 40% of the equity interest in the Target Company upon Completion, the Target Company will be accounted for as an associated company of the Company and hence, will not be consolidated in the Group's financial statements.

REASONS FOR AND BENEFITS OF THE INVESTMENT

In December 2019, ten Chinese national ministries and commissions, including the National Development and Reform Commission and the National Energy Administration, jointly promulgated the Guidelines on Promoting the Industrialised Development for Biogas, which proposed a programmatic document and a top-level design for achieving the sustainable development of the industrialisation and commercialisation for biogas. In 2021 and 2022, the central government successively issued the Opinions on Implementing Accelerating Rural Energy Transformation and Development to Promote Rural Revitalisation and the Opinions of the State Council on Carrying out the Key Work of Comprehensively Promoting Rural Revitalisation in 2022, emphasising that promoting rural revitalisation to safeguard national food security, and proposing the construction of a modern rural energy system with clean, low-carbon and multi-energy integration, in order to make green and low-carbon energy development an important foundation and driving force for rural revitalisation.

As described in the Company's interim report published on 12 December 2022, in the major livestock and poultry breeding areas of China, a large amount of livestock and poultry manure has not been properly treated, causing a great impact on the local ecological environment. Biomass fermentation technology can effectively treat these pollutants and generate green energy such as biogas and natural gas, creating excellent economic and social benefits. Considering the tremendous market opportunities brought by the rural revitalisation, the Target Company is actively exploring the relevant technologies and market opportunities of integrated development and utilisation of rural biomass with a view to exploring the development potential business opportunities.

The Target Company intends to invest in the construction of an organic waste resource utilization demonstration project in Juancheng, Heze City, Shandong Province. By collecting local livestock and poultry manure as well as straw, and transforming the waste into clean energy and fertilizer that can be used for farming through fermentation and other treatment processes, it will achieve a sustainable, circular economy project that can effectively reduce carbon emissions.

The project falls under the category of resource conservation and efficient use of resources. The project is in compliance with the relevant requirements of the Guidance Catalogue for Industrial Structure Adjustment (2019), the "14th Five-Year" Plan for the Development of Circular Economy, Document No. 1 of the Central Government in 2022 and the Technical Guide for Prevention of Pollution and Resourceful Use of Manure from Livestock and Poultry Breeding below the Scale in Shandong Province (for trial), and falls within the economic and social fields supported by the government.

Having considered the aforementioned, the Company considers that the Investment represents a good investment opportunity and the investment in the Target Company will enable the Group to participate in the integrated development and utilization of biomass and to venture into the biomass clean energy market with great opportunities through the Target Company, which is expected to create longer-term and more stable returns for the Shareholders while making positive contributions to the sustainable development of the society.

In light of the above, the Directors (excluding members of the Independent Board Committee who will express their views after considering the advice from the Independent Financial Adviser) are of the view that while the Investment is not in the ordinary and usual course of business of the Group, the terms of the Investment Agreement are agreed after arms' length negotiations, on normal commercial terms, and the Investment is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Liu Zhancheng is through Fujincheng interested in 1,118,460,000 Shares, representing approximately 74.86% of the issued share capital of the Company. Mr. Liu Zhancheng is therefore a controlling shareholder of the Company. Each of Shandong Fujincheng and Shandong Investment holds 50% of the equity interest in Shandong Finance Energy. Shandong Finance Group controls 75% of the equity interest in Shandong Investment and 25% of the equity interest in Shandong Investment is beneficially held by Shandong Fujincheng, which is wholly-owned by Mr. Liu Zhancheng. As such, Shandong Finance Energy is an associate of Mr. Liu Zhancheng and a connected person of the Company.

As one or more of the applicable percentage ratios in respect of the Investment exceed 5% but all are lower than 25%, the Investment constitutes a discloseable and connected transaction of the Company under the Listing Rules, and thus is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapters 14 and 14A the Listing Rules.

As Mr. Liu Zhancheng is interested in 50% of the equity interest in Shandong Finance Energy, he is deemed to have material interest in and has abstained from voting on the Board resolutions in relation to the Investment Agreement and the transactions contemplated thereunder.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Investment Agreement and the transactions contemplated thereunder.

INDEPENDENT FINANCIAL ADVISER

The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Investment Agreement and the transactions contemplated thereunder.

EGM

The EGM will be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Investment Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Mr. Liu Zhancheng is interested in 50% of the equity interest in Shandong Finance Energy and is therefore deemed to have a material interest in the Investment Agreement and the transactions contemplated thereunder. As such, Mr. Liu Zhancheng and his associates (including Fujincheng which holds 1,118,460,000 Shares, representing approximately 74.86% of the issued share capital of the Company) are required to abstain from voting on the resolutions in relation to the Investment Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Investment and is therefore required to abstain from voting at the EGM on the relevant resolution(s).

A circular containing, among others, (i) details of the Investment Agreement; (ii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advices to the Independent Board Committee and the Independent Shareholders; (iv) the notice of the EGM; and (v) other information in relation to the Company as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 13 January 2023 in accordance with the requirements under the Listing Rules.

WARNING

Shareholders and potential investors of the Company should be aware that Completion is subject to the condition to be satisfied (i.e. the Independent Shareholders' approval at the EGM), and consequently the Investment Agreement and the transactions contemplated thereunder may or may not be proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing or contemplating dealing in the securities of the Company.

DEFINITIONS

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

“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors

“Company”	Standard Development Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1867)
“Completion”	the completion of the Investment in accordance with the terms and conditions of the Investment Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dongying Haibao”	Dongying Haibao Salt Industry Co., Ltd.* (東營海寶鹽業有限公司), a company established in the PRC with limited liability
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Investment Agreement and the transactions contemplated thereunder
“Fujincheng”	Fujincheng Investment Holdings Co., Ltd., a company incorporated in the British Virgin Islands with limited liability on 8 April 2021, which is wholly-owned by Mr. Liu Zhancheng and a controlling shareholder of the Company holding 1,118,460,000 Shares, representing approximately 74.86% of the issued share capital of the Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company formed to advise the Independent Shareholders on the Investment Agreement and the transactions contemplated thereunder in accordance with the Listing Rules
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders on the Investment Agreement and the transactions contemplated thereunder

“Independent Shareholders”	Shareholders other than Mr. Liu Zhancheng and his associates (including Fujincheng which holds 1,118,460,000 Shares, representing approximately 74.86% of the issued share capital of the Company) and all other parties (if any) who are interested in the Investment Agreement and the transactions contemplated thereunder
“Investment”	the contribution of RMB20.0 million into the Target Company as registered capital by Standard Development (Shandong) pursuant to the terms and conditions of the Investment Agreement
“Investment Agreement”	the investment agreement dated 20 December 2022 entered into between Standard Development (Shandong), the Target Company, Shandong Finance Energy and Dongying Haibao in relation to the Investment
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) with nominal value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shandong Finance Energy”	Shandong Province Financial Energy Co., Ltd.* (山東省財金能源有限公司), a company established in the PRC with limited liability
“Shandong Finance Group”	Shandong Province Finance Investment Group Co., Ltd.* (山東省財金投資集團有限公司), a company established in the PRC with limited liability, the equity interest in which is ultimately controlled by the Shandong Provincial Department of Finance
“Shandong Fujincheng”	Shandong Fujincheng Investment Co., Ltd.* (山東富金成投資有限公司), a company established in the PRC with limited liability
“Shandong Investment”	Shandong Province Finance Industry Investment Co., Ltd.* (山東省財金產業投資有限公司), a company established in the PRC with limited liability

“Standard Development (Shandong)”	Standard Development (Shandong) Limited* (標準發展(山東)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed to it under the Listing Rules
“Target Company”	Standard Bio (Juancheng) Co., Ltd.* (標發生態(鄆城)有限公司), a limited liability company established in the PRC on 21 October 2021
“%”	per cent.

By Order of the Board
Standard Development Group Limited
Liu Zhancheng
Chairman and Executive Director

Hong Kong, 20 December 2022

As at the date of this announcement, the Board comprises Mr. Liu Zhancheng, Ms. Qin Mingyue and Mr. Xu Jing as executive Directors; and Dr. Su Lixin, Mr. Liang Rongjin and Dr. Yan Bing as independent non-executive Directors.

** For identification purposes only*