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山高新能源集團有限公司
SHANDONG HI-SPEED NEW ENERGY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 01250)



山高控股集團有限公司
SHANDONG HI-SPEED HOLDINGS GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 412)

JOINT ANNOUNCEMENT

REVISION OF TERMS AND ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS RELATING TO THE SALES OF ELECTRICITY

REVISION OF TERMS AND ANNUAL CAPS FOR FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS RELATING TO THE SALES OF ELECTRICITY

REVISION OF TERMS AND ANNUAL CAPS RELATING TO THE SALES OF ELECTRICITY

Reference is made to the 2022 Joint Announcement in relation to the 2022 Electricity Sales Agreement entered into between SHNE and BEWG, being a substantial shareholder of SHNE, in respect of the Sales of Electricity.

Due to the expected increase in demand for the electricity to be generated from the Distributed Photovoltaic Power Stations in additional Water Plants, the SHNE Board envisages that the Existing Annual Caps will not be sufficient to fulfill the additional unforeseen transactions that may take place under the 2022 Electricity Sales Agreement for the years ending 31 December 2024 and 2025, respectively.

Each of SHNE Board and the SDHG Board announces that on 28 December 2023 (after trading hours), SHNE and BEWG entered into the Supplemental Agreement to revise certain terms of the 2022 Electricity Sales Agreement including the Existing Annual Caps and the relevant pricing policy.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this joint announcement, (i) BEWG is a substantial shareholder of SHNE indirectly holding approximately 18.03% of the total issued share capital of SHNE; and (ii) SHNE is a non-wholly owned subsidiary of SDHG which directly holds approximately 43.45% of the total issued share capital of SHNE. Accordingly, BEWG is a connected person of SHNE and a connected person of SDHG at subsidiary level, respectively, under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the 2022 Electricity Sales Agreement and the Supplemental Agreement constituted continuing connected transactions of each of SHNE and SDHG under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if each of SHNE and SDHG intends to revise annual caps and effect a material change to the terms for continuing connected transactions, each of SHNE and SDHG will be required to re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

SHNE

As at the date of this joint announcement, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Revised Annual Caps under the Supplemental Agreement are more than 0.1% but all of which are less than 5%, the transactions contemplated under the 2022 Electricity Sales Agreement and the Supplemental Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules for SHNE.

SDHG

As at the date of this joint announcement, as all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Revised Annual Caps under the Supplemental Agreement are below the minimum threshold (all applicable percentage ratios other than the profits ratio are below 1%) as connected transactions at the subsidiary level, the transactions contemplated under the 2022 Electricity Sales Agreement and the Supplemental Agreement are fully exempt from all the reporting, announcement, circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules for SDHG.

REVISION OF TERMS AND ANNUAL CAPS RELATING TO THE SALES OF ELECTRICITY

Reference is made to the joint announcement of SHNE and SDHG dated 30 December 2022 in relation to the 2022 Electricity Sales Agreement entered into between BEWG, being a substantial shareholder of SHNE, and SHNE in respect of the Sales of Electricity.

Each of SHNE Board and the SDHG Board announces that on 28 December 2023 (after trading hours), SHNE and BEWG entered into the Supplemental Agreement to revise certain terms of the 2022 Electricity Sales Agreement including the Existing Annual Caps and the relevant pricing policy.

Revision of Terms

Pursuant to the Supplemental Agreement, the prices for the Sales of Electricity will be determined by the parties on the following basis:

Pricing Policy : Electricity will be supplied at a price calculated by having the relevant volume of electricity usage multiplied by the relevant government prescribed price per kWh (as adjusted from time to time), which is determined by the government authorities (including State Grid Corporation of China* (國家電網有限公司) and China Southern Power Grid* (中國南方電網)) depending on the location of the Water Plants, and with a discount rate ranging from 8% to 25%. It is commonly found in the PRC market that power stations offer discounts to customers. The SHNE Group also offers discounts to its customers like other power stations to attract more customers. The discount rates offered by the SHNE Group to the BEWG Group are determined with reference to (a) the discount rates provided to customers by other market participants on the current market (through (i) communication with other market participants and industry peers; and (ii) obtaining the discount rates provided by the Group's competitors to their customers through the Group's business network); and (b) the discount rates provided by the Group to Independent Third Parties in similar transactions in the past, to ensure that electricity fee is fair and reasonable, no less favourable than the discount rates provided to Independent Third Parties, and consistent with the pricing policy of the Group.

Annual Caps

Historical Transaction Amount

For the ten months ended 31 October 2023, the unaudited transaction amount in respect of the transactions under the 2022 Electricity Sales Agreement was approximately RMB12,833,000. SHNE also confirms that as at the date of this joint announcement, the actual transaction amount has not exceeded the Existing Annual Caps.

Revised Annual Caps

Pursuant to the Supplemental Agreement, the Existing Annual Caps is revised as follows:

	For the financial year ending 31 December		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<i>Electricity fees receivable by the SHNE</i>			
<i>Group in respect of the Sales of Electricity</i>			
Existing Annual Caps	20,449,710.17	21,196,804.71	21,015,863.99
Revised Annual Caps	20,449,710.17	30,988,166.11	34,530,678.92

The Revised Annual Caps is determined with reference to (i) the historical transaction amounts; (ii) the designed capacity of the Distributed Photovoltaic Power Stations in additional Water Plants and the expected increased demand from the BEWG Group; (iii) the revised price offered by the SHNE Group to the BEWG Group; (iv) the estimated electricity to be generated by the relevant Distributed Photovoltaic Power Stations; and (v) the development plan of the SHNE Group for the Distributed Photovoltaic Power Stations in the Water Plants in the coming years during the term of the 2022 Electricity Sales Agreement and the Supplemental Agreement.

Save as disclosed above, the principal terms of the 2022 Electricity Sales Agreement have not been modified and other principal terms set out in the 2022 Joint Announcement remain unchanged.

APPROVAL BY THE SHNE BOARD AND THE SDHG BOARD

SHNE Board Approval

As Mr. Li Li is an executive director of BEWG and SHNE, he abstained from voting on the SHNE Board resolutions approving the Supplemental Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the SHNE Directors has any material interest in the Supplemental Agreement and the transaction contemplated thereunder and no other SHNE Director is required to abstain from voting on the relevant board resolutions approving the Supplemental Agreement and the transaction contemplated thereunder.

SDHG Board Approval

None of the SDHG Directors has any material interest in the Supplemental Agreement and the transactions contemplated thereunder and no SDHG Director is required to abstain from voting on the relevant board resolutions approving the Supplemental Agreement and the transaction contemplated thereunder.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT

The Board has been carefully monitoring the transaction amounts under the 2022 Electricity Sales Agreement. Having considered the expected increase in demand for the electricity to be generated from the Distributed Photovoltaic Power Stations in additional Water Plants, the SHNE Board envisages that the Existing Annual Caps will not be sufficient to fulfill the additional unforeseen transactions that may take place under the 2022 Electricity Sales Agreement for the years ending 31 December 2024 and 2025, respectively. The Supplemental Agreement allows the SHNE Group to meet the operational requirements of the SHNE Group, secure additional income and continuously cooperate with the BEWG Group, a reliable customer, for steady development of the SHNE Group's clean energy businesses.

Each of the SHNE Board and the SDHG Board (including their respective independent non-executive directors) is of the view that (a) the transactions contemplated under the Supplemental Agreement is conducted after arm's length negotiation and in the ordinary and usual course of business of SHNE, on normal commercial terms or better, and the terms of which are fair and reasonable and in the interests of each of SHNE and SDHG and their respective shareholders as a whole; and (b) the Revised Annual Caps under the Supplemental Agreement are fair and reasonable and are in the interests of each of SHNE and SDHG and their respective shareholders as a whole.

INTERNAL CONTROL FOR THE TRANSACTION CONTEMPLATED UNDER THE 2022 ELECTRICITY SALES AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

In order to ensure that the terms of the 2022 Electricity Sales Agreement and the Supplemental Agreement are fair and reasonable, and the electricity unit prices offered to the BEWG Group are in line with the terms commonly offered in the PRC market and not less favourable to the SHNE Group than those prices offered to other Independent Third Parties, each of the SHNE Group and the SDHG Group adopts the following internal control methods and procedures:

- (a) the relevant personnel of the business department of SHNE will conduct regular checks to review and assess whether the transaction contemplated under the 2022 Electricity Sales Agreement and the Supplemental Agreement is conducted in accordance with the terms thereunder and will also regularly update and make reference to the (i) relevant government prescribed price; and (ii) discount rates offered by other power stations to their customers and by the SHNE Group to its other customers for the purpose of considering if the price charged for a specific transaction is fair and reasonable and in accordance with the aforesaid pricing policy;
- (b) SHNE will closely monitor the transacted amounts of the transaction contemplated under the 2022 Electricity Sales Agreement and the Supplemental Agreement to ensure that the annual caps for each of three years ending 31 December 2025 will not be exceeded;
- (c) the external auditors of each of SHNE and SDHG will conduct an annual review on the electricity unit prices and annual caps of the transaction contemplated under the 2022 Electricity Sales Agreement and the Supplemental Agreement; and
- (d) the independent non-executive directors of each of SHNE and SDHG will review the transactions contemplated under the continuing connected transactions of SHNE pursuant to Rule 14A.55 of the Listing Rules, and confirm in the annual report whether the transactions have been entered in the ordinary and usual course of business of the SHNE Group; on normal commercial terms or better; and according to the agreement governing the transactions on terms that are fair and reasonable and in the interests of each of SHNE and SDHG and their respective shareholders as a whole.

INFORMATION OF THE PARTIES

SHNE and the SHNE Group

SHNE 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 SHNE is investment holding. The SHNE 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.

SDHG and the SDHG Group

SDHG is an investment holding company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange (Stock Code: 412). The SDHG Group is principally engaged in industrial investment, standard investment business, non-standard investment business and licensed financial services.

BEWG and the BEWG Group

BEWG is a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 371). BEWG is an investment company and the holding company of the BEWG Group. The BEWG Group is principally engaged in construction of sewage and reclaimed water treatment plants and seawater desalination plants, and provision of construction services for comprehensive renovation projects in the PRC, Malaysia and Australia and Republic of Botswana; provision of sewage and reclaimed water treatment services in the PRC, the Republic of Singapore, Portuguese Republic, Australia and New Zealand; distribution and sale of piped water in the PRC, Portuguese Republic and Australia; provision of technical and consultancy services and sale of machineries related to sewage treatment and construction services for comprehensive renovation projects in the PRC and Australia; the licensing of technical know-how related to sewage treatment in the PRC; and provision of environmental hygiene services and hazardous waste treatment services in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this joint announcement, (i) BEWG is a substantial shareholder of SHNE indirectly holding approximately 18.03% of the total issued share capital of SHNE; and (ii) SHNE is a non-wholly owned subsidiary of SDHG which directly holds approximately 43.45% of the total issued share capital of SHNE. Accordingly, BEWG is a connected person of SHNE and a connected person of SDHG at subsidiary level, respectively, under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the 2022 Electricity Sales Agreement and the Supplemental Agreement constituted continuing connected transactions of each of SHNE and SDHG under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if each of SHNE and SDHG intends to revise annual caps and effect a material change to the terms for continuing connected transactions, each of SHNE and SDHG will be required to re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

SHNE

As at the date of this joint announcement, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Revised Annual Caps under the Supplemental Agreement are more than 0.1% but all of which are less than 5%, the transactions contemplated under the 2022 Electricity Sales Agreement and the Supplemental Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules for SHNE.

SDHG

As at the date of this joint announcement, as all applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Revised Annual Caps under the Supplemental Agreement are below the minimum threshold (all applicable percentage ratios other than the profits ratio are below 1%) as connected transactions at the subsidiary level, the transactions contemplated under the 2022 Electricity Sales Agreement and the Supplemental Agreement are fully exempt from all the reporting, announcement, circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules for SDHG.

DEFINITION

In this joint announcement, the following expressions shall have the meanings set out below unless the context otherwise requires:

“2022 Electricity Sales Agreement”	the agreement dated 30 December 2022 entered into between SHNE and BEWG in respect of the Sales of Electricity
“2022 Joint Announcement”	the announcement jointly published by SHNE and SDHG dated 30 December 2022 in relation to the Sales of Electricity

“BEWG”	Beijing Enterprises Water Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 371)
“BEWG Group”	BEWG and its subsidiaries
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Distributed Photovoltaic Power Stations”	distributed photovoltaic power stations constructed/to be constructed and to be operated by the Group
“Existing Annual Caps”	the existing annual caps in respect of the Sales of Electricity under the 2022 Electricity Sales Agreement for the years ending 31 December 2023, 2024 and 2025
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of any member of the SHNE Group, the SDHG Group, the SHNE Directors, the SDHG Directors, the chief executives, the controlling shareholders, the substantial shareholders of each of SHNE and SDHG or their subsidiaries, and their respective associates
“kWh”	Kilowatt hours
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“Revised Annual Caps”	the revised annual caps in respect of the Sales of Electricity under the Supplemental Agreement for the years ending 31 December 2023, 2024 and 2025
“RMB”	Renminbi, the lawful currency of the PRC
“Sales of Electricity”	the sale of electricity to be generated by the Distributed Photovoltaic Power Stations in certain Water Plants
“SDHG”	Shandong Hi-Speed Holdings Group Limited (山高控股集團有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 412)
“SDHG Board”	the board of directors of SDHG
“SDHG Director(s)”	the director(s) of SDHG
“SDHG Group”	SDHG and its subsidiaries
“SHNE”	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)
“SHNE Board”	the board of directors of SHNE
“SHNE Director(s)”	the director(s) of SHNE
“SHNE Group”	SHNE and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the 2022 Electricity Sales Agreement entered into between SHNE and BEWG on 28 December 2023

“Water Plants” water plants of the BEWG Group operated/to be operated under service concession arrangements

“%” per cent.

By Order of the SHNE Board

Shandong Hi-Speed New Energy Group Limited

Wang Xiaodong

Chairman

By Order of the SDHG Board

Shandong Hi-Speed Holdings Group Limited

Wang Xiaodong

Chairman

Hong Kong, 28 December 2023

As at the date of this joint announcement, the SHNE 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.

As at the date of this joint announcement, the SDHG Board comprises Mr. Wang Xiaodong, Mr. Zhu Jianbiao, Ms. Liao Jianrong, Mr. Liu Zhijie and Mr. Liu Yao as executive directors; Mr. Liang Zhanhai, Mr. Chen Di and Mr. Wang Wenbo as non-executive directors; and Mr. Guan Huanfei, Mr. Chan Wai Hei, Mr. Jonathan Jun Yan and Mr. Fang Ying as independent non-executive directors.

* *For identification purposes only.*