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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 TRANSACTION CAPITAL INJECTION AGREEMENT**

#### **CAPITAL INJECTION AGREEMENT**

The Board is pleased to announce on 6 December 2023 (after trading hours), Standard Development (Shandong), an indirect wholly-owned subsidiary of the Company, has entered into the Capital Injection Agreement with the Target Company and Shandong Finance Energy. Pursuant to the Capital Injection Agreement, Standard Development (Shandong) agreed to contribute a total amount of RMB30 million in cash as registered capital of the Target Company.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Capital Injection exceed 5% but all are less than 25%, the Capital Injection constitutes a discloseable transaction of the Company under the Listing Rules, and hence is subject to the reporting and announcement requirement but is exempt from the circular and shareholders' approval requirements under Chapter 14 the Listing Rules.

#### **INTRODUCTION**

On 6 December 2023 (after trading hours), Standard Development (Shandong), an indirect wholly-owned subsidiary of the Company, has entered into the Capital Injection Agreement with the Target Company and Shandong Finance Energy. Pursuant to the Capital Injection Agreement, Standard Development (Shandong) agreed to contribute a total amount of RMB30 million in cash as registered capital of the Target Company.

## **CAPITAL INJECTION AGREEMENT**

Principal terms of the Capital Injection Agreement are set out below:

### **Date**

6 December 2023 (after trading hours)

### **Parties**

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

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, as at the date of this announcement, Shandong Finance Energy 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) agreed to contribute a total amount of RMB30 million in cash as registered capital of the Target Company.

As at the date of this announcement, Standard Development (Shandong) holds 60% of the equity interest in the Target Company and Shandong Finance Energy holds 40% of the equity interest in the Target Company. Immediately upon Completion, Standard Development (Shandong)'s shareholding in the Target Company will increase to 90% and Shandong Finance Energy's shareholding in the Target Company will decrease to 10%.

### **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 Capital Injection 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 development; (iii) the growth potential of the Target Company; and (iv) the reasons for entering into the Capital Injection Agreement as discussed in the section headed "Reasons for and Benefits of the Capital Injection" 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.

### **Conditions precedent**

Completion shall be subject to the satisfaction by the Company of all the applicable requirements under the Listing Rules. If the above condition is not satisfied, the Capital Injection Agreement (together with all the rights and obligations thereunder) will automatically lapse, except for any antecedent breaches.

### **Restriction on transfer**

A shareholder of the Target Company may transfer all or part of the equity interest in the Target Company held by it to other parties, but such transfer shall be subject to the right of first refusal of the other shareholder of the Target Company.

## **INFORMATION ON THE PARTIES**

### **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, including interior fitting-out and renovation services, alteration and addition works for properties, petroleum trading and farming businesses in Mainland China and Hong Kong.

### **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. It is principally engaged in construction and engineering related businesses and trading of petroleum products.

### **Information of 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 New Energy holds 50% of the equity interest in Shandong Finance Energy. Shandong Province Finance Investment Group Co., Ltd.\* (山東省財金投資集團有限公司) (a company ultimately controlled by the Shandong Provincial Department of Finance) controls 75% of the equity interest in Shandong New Energy and 25% of the equity interest in Shandong New Energy is beneficially held by Shandong Fujincheng, which is held as to 80% of its equity interest by Ms. Wang Ruomeng and 20% of its equity interest by Mr. Liu Zhancheng (the chairman and an executive Director and a controlling shareholder of the Company).

## INFORMATION ON THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC on 31 May 2022 with limited liability. As at the date of this announcement, the Target Company is held as to 60% of its equity interest by Standard Development (Shandong) and 40% of its equity interest by Shandong Finance Energy. As at the date of this announcement, the Target Company is in the early stage of operation.

### 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 2022 and for the ten months ended 31 October 2023:

	<b>For the financial year ended 31 December 2022 (RMB) (unaudited)</b>	<b>For the ten months ended 31 October 2023 (RMB) (unaudited)</b>
Revenue	—	—
Net profit/(loss) before tax	—	(329,348.88)
Net profit/(loss) after tax	—	(329,348.88)

According to the unaudited consolidated financial statements of Target Company, the unaudited consolidated net assets of the Target Company as at 31 October 2023 was approximately RMB270,651.

The net loss recorded for the ten months ended 30 October 2023 were mainly attributable to day-to-day expenses incurred by the Target Company for commencement of operations. The Target Company has not commenced operation as at 31 December 2022.

As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company. As Standard Development (Shandong) will hold 90% of the equity interest in the Target Company upon Completion, the Target Company will continue to be a subsidiary of the Company and its financial results will continue to be consolidated into the Group's financial statements.

## REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

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 Revitalization and the Opinions of the State Council on Carrying out the Key Work of Comprehensively Promoting Rural Revitalization in 2022, emphasising that promoting rural revitalization 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 revitalization.

As described in the Company's interim results announcement dated 30 November 2023, in the major livestock and poultry breeding areas of China, a large amount of livestock and poultry manure has not been properly treated, causing 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 revitalization, the Group 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 of the business opportunities.

The Target Company intends to invest in the construction of an organic waste resource utilization demonstration project in Juye, 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.

The Company considers that the Capital Injection will provide the requisite financial resources to the Target Company to venture into the biomass clean energy market and grasp attractive market opportunities brought by the rural revitalisation initiatives encouraged by the PRC government through the implementation of multiple national and regional policies. It is expected that through organic growth of the business of the Target Company, the Group will be able to create sustainable return for the Shareholders in the long run while making positive contributions to a green community.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Injection Agreement are agreed after arms' length negotiations, on normal commercial terms, and the Capital Injection is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Capital Injection exceed 5% but all are less than 25%, the Capital Injection constitutes a discloseable transaction of the Company under the Listing Rules, and hence is subject to the reporting and announcement requirement but is exempt from the circular and shareholders' approval requirements under Chapter 14 the Listing Rules.

As Mr. Liu Zhancheng holds minority interest in Shandong Fujincheng which in turn holds 50% of the equity interest in Shandong Finance Energy, he is considered to have material interest in and has therefore abstained from voting on the Board resolutions approving the Capital Injection Agreement and the transactions contemplated thereunder.

## **DEFINITIONS**

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

“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Injection”	the contribution of RMB30 million into the Target Company in cash as registered capital by Standard Development (Shandong) pursuant to the terms and conditions of the Capital Injection Agreement
“Capital Injection Agreement”	the capital injection agreement dated 6 December 2023 entered into between Standard Development (Shandong), the Target Company and Shandong Finance Energy in relation to the Capital Injection

“Completion”	the completion of the Capital Injection in accordance with the terms and conditions of the Capital Injection Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“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 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 New Energy”	Shandong Province Finance New Energy Industry Co., Ltd.* (山東省財金新能源產業投資有限公司), 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 same meaning as ascribed to it under the Listing Rules

“Target Company”

Standard Bio (Juye) Co., Ltd.\* (標發生態(巨野)有限公司), a limited liability company established in the PRC on 31 May 2022 and an indirect non-wholly-owned subsidiary of the Company

“%”

per cent.

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

Hong Kong, 6 December 2023

*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*