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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 TRANSACTIONS

(1) LAND USE RIGHTS TRANSFER AGREEMENT

(2) ANAEROBIC FACILITIES CONSTRUCTION AGREEMENT

(3) CONSTRUCTION AGREEMENT

LAND USE RIGHTS TRANSFER AGREEMENT

On 29 March 2024, Standard Bio (Juancheng) and the Juancheng County Natural Resources and Planning Bureau (as transferor) have entered into the Land Use Rights Transfer Agreement, pursuant to which the Juancheng County Natural Resources and Planning Bureau has agreed to transfer the Land Use Rights of the Land to Standard Bio (Juancheng) at a total consideration of RMB10,630,000.

ANAEROBIC FACILITIES CONSTRUCTION AGREEMENT

On 13 September 2023, Standard Bio (Juye) and Wansheng Environmental (as contractor) have entered into the Anaerobic Facilities Construction Agreement, pursuant to which Standard Bio (Juye) has agreed to engage Wansheng Environmental for the provision of construction services for the Anaerobic Facilities Construction at a total contract sum of RMB25,105,850.

CONSTRUCTION AGREEMENT

On 9 September 2023, Standard Bio (Juye) and Shandong Tengde (as contractor) have entered into the Construction Agreement, pursuant to which Standard Bio (Juye) has agreed to engage Shandong Tengde for the provision of land construction and development services for the Construction at a total contract sum of RMB31,795,467.53.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of each of the Construction, the Anaerobic Facilities Construction and the Land Acquisition exceed 5% but all are lower than 25%, each of the Construction, the Anaerobic Facilities Construction and the Land Acquisition constitutes a discloseable transaction of the Company, and thus is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Construction and the Anaerobic Facilities Construction involve the construction and development of the Juye Facilities (including the anaerobic facilities therein) by or on behalf of the Group for its own use in conducting its bio-energy business which is in its ordinary and usual course of business, the Company considers that the Construction and the Anaerobic Facilities Construction are not required to be aggregated pursuant to Rule 14.23A of the Listing Rules.

The Company should have complied with the relevant reporting and announcement requirements under Chapter 14 of the Listing Rules in respect of each of the Construction, the Anaerobic Facilities Construction and the Land Acquisition, which constituted a discloseable transaction, as and when such obligations arose. The Company did not comply with the announcement requirement under Chapter 14 of the Listing Rules due to a misunderstanding amongst the operations team of the Group that each of the Construction, the Anaerobic Facilities Construction and the Land Acquisition was in the ordinary and usual course of business of the Group and part of the day-to-day business activities of the Group. The Land Use Rights Transfer Agreement, the Construction Agreement and the Anaerobic Facilities Construction Agreement were entered into at the subsidiary level in the PRC under the misconception that the introduction of the bio-energy business and the development plan thereof have already been disclosed in the circular of the Company dated 20 July 2023. The non-compliances were inadvertent and not intentional.

REMEDIAL ACTIONS AND MEASURES

The Board has implemented certain remedial actions and measures for the avoidance of future occurrence of non-compliance of the Listing Rules.

INTRODUCTION

The Board announces that:

- (i) on 29 March 2024, Standard Bio (Juancheng) and the Juancheng County Natural Resources and Planning Bureau (as transferor) have entered into the Land Use Rights Transfer Agreement, pursuant to which the Juancheng County Natural Resources and Planning Bureau has agreed to transfer the Land Use Rights of the Land to Standard Bio (Juancheng) at a total consideration of RMB10,630,000;
- (ii) on 13 September 2023, Standard Bio (Juye) and Wansheng Environmental (as contractor) have entered into the Anaerobic Facilities Construction Agreement, pursuant to which Standard Bio (Juye) has agreed to engage Wansheng Environmental for the provision of construction services for the Anaerobic Facilities Construction at a total contract sum of RMB25,105,850; and
- (iii) on 9 September 2023, Standard Bio (Juye) and Shandong Tengde (as contractor) have entered into the Construction Agreement, pursuant to which Standard Bio (Juye) has agreed to engage Shandong Tengde for the provision of land construction and development services for the Construction at a total contract sum of RMB31,795,467.53.

LAND USE RIGHTS TRANSFER AGREEMENT

Principal terms of the Land Use Rights Transfer Agreement are set out below:

Date

29 March 2024

Parties

- (i) Standard Bio (Juancheng) (as transferee); and
- (ii) Juancheng County Natural Resources and Planning Bureau (as transferor).

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Juancheng County Natural Resources and Planning Bureau and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Subject matter

Pursuant to the Land Use Rights Transfer Agreement, the Juancheng County Natural Resources and Planning Bureau has agreed to transfer the Land Use Rights of the Land to Standard Bio (Juancheng).

Information of the Land

Location	:	North of Weiwu Road and east of Shuijiaodi, Beijie Village, Juancheng County, Heze City, Shandong Province, the PRC (中國山東省荷澤市鄆城縣緯五路北北街村水澆地東)
Term	:	50 years
Site area	:	70,808 sq.m.
Use	:	Industrial use

Consideration and payment terms

The consideration of the Land is RMB10,630,000, which was arrived at after the public listing-for-sale through the Heze City Public Resources Trading Platform* (荷澤市公共資源交易平台). In tendering the bid, the Company has taken into account, among other matters, the minimum bid price (being RMB10,630,000 which is equal to the final bid-winning consideration), the prices of land in the vicinity, the current property market conditions, as well as the location and the development potential of the Land.

The consideration of the Land Acquisition in the total amount of RMB10,630,000 shall be paid by Standard Bio (Juancheng) within 60 days after the date of the Land Use Rights Transfer Agreement.

The consideration of the Land will be financed by the internal resources of the Group and shareholder's loan made to Standard Bio (Juancheng).

ANAEROBIC FACILITIES CONSTRUCTION AGREEMENT

Principal terms of the Anaerobic Facilities Construction Agreement are set out below:

Date

13 September 2023

Parties

- (i) Standard Bio (Juye); and
- (ii) Wansheng Environmental (as contractor).

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Wansheng Environmental and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Subject matter

Standard Bio (Juye) has engaged Wansheng Environmental (as contractor) to provide construction services in relation to anaerobic facilities, including provision of equipment, installation and addition works, procurement, tuning-in and calibration and training, in the Juye Facilities.

The construction work under the Anaerobic Facilities Construction shall satisfy the relevant national or regional regulations and requirements of the PRC government and industry quality and technical standards.

Construction period

The construction period under the Anaerobic Facilities Construction Agreement is 300 calendar days from a date to be confirmed by the parties in writing after the receipt of the first payment by Wansheng Environmental.

Consideration and payment terms

The total contract sum for the Anaerobic Facilities Construction shall be RMB25,105,850, which shall be payable by way of bank transfer in the following manner:

- (a) 30% of the contract sum (i.e. RMB7,531,755) shall be paid within seven (7) days after the signing of the Anaerobic Facilities Construction Agreement as prepayment;
- (b) 32% of the contract sum (i.e. RMB8,033,872) shall be paid within seven (7) days after the delivery of the main equipment as first payment;
- (c) 20% of the contract sum (i.e. RMB5,021,170) shall be paid within seven (7) days after the completion of installation of the main equipment and satisfactory inspection as second payment;
- (d) 15% of the contract sum (i.e. RMB3,765,877.50) shall be paid within 30 days after satisfactory calibration and completion inspections; and
- (e) 3% of the contract sum (i.e. RMB753,175.50) as quality deposit, payable within seven (7) days after the expiry of a 12-month warranty period from the date of completion inspection (subject to fulfilment of quality warranty).

The contract sum for the Anaerobic Facilities Construction was determined on an arm's length basis through a tendering process and with reference to industry fee standard promulgated by PRC government authorities and the specifications and requirements of the construction works in relation to the Anaerobic Facilities Construction.

The contract sum for the Anaerobic Facilities Construction will be financed by the internal resources of the Group and shareholder's loan made to Standard Bio (Juye).

CONSTRUCTION AGREEMENT

Principal terms of the Construction Agreement are set out below:

Date

9 September 2023

Parties

- (i) Standard Bio (Juye); and
- (ii) Shandong Tengde (as contractor).

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Shandong Tengde and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

Subject matter

Standard Bio (Juye) has engaged Shandong Tengde (as contractor) to provide land construction and development services in relation to production facilities, pump and water storage facilities, filtration, purification and treatment facilities, integrated complex and ancillary constructions (e.g. electricity and gas) for the bio-energy business of the Group on the site located in Dongguantun Town, Juye County, Heze City, Shandong Province* (山東省荷澤市巨野縣董官屯鎮).

The construction work under the Construction shall satisfy the relevant national or regional regulations and requirements of the PRC government and industry quality and technical standards.

Construction period

The construction period under the Construction Agreement is 365 calendar days from 9 September 2023 to 8 September 2024.

Consideration and payment terms

The total contract sum for the Construction shall be RMB31,795,467.53, which shall be payable by way of bank transfer in the following manner:

- (a) 10% of the contract sum shall be paid within seven (7) days after the signing of the Construction Agreement as prepayment;

- (b) up to 80% (taking into the amount already paid under (a)) of the contract sum (accumulated) to be paid each month in proportion to the progress of the Construction;
- (c) up to 85% (taking into account the amounts already paid under (a) and (b) above) of the contract sum (accumulated) to be paid upon satisfactory completion inspection of the Construction;
- (d) up to 97% (taking into account the amounts already paid under (a) to (c) above) of the contract sum (accumulated) shall be paid within 30 days after the completion of the audit of the Construction; and
- (e) 3% of the contract sum as quality deposit, payable within 14 days after the expiry of a six (6)-month warranty period (subject to fulfilment of quality warranty).

The contract sum for the Construction was determined on an arm's length basis through a tendering process and with reference to industry fee standard promulgated by PRC government authorities and the specifications and requirements of the development and construction works in relation to the Juye Facilities.

The contract sum for the Construction will be financed by the internal resources of the Group and shareholder's loan made to Standard Bio (Juye).

INFORMATION ON THE PARTIES

Information on the Company and the Group

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in construction and engineering related business, petroleum business, farming business and bio-energy business.

Information on Standard Bio (Juancheng)

Standard Bio (Juancheng) is a company established under the laws of the PRC with limited liability. Standard Bio (Juancheng) is principally engaged in the treatment of organic wastages and energy transformation. As at the date of this announcement, the equity interest in Standard Bio (Juancheng) is owned as to 75% by Standard Development (Shandong) (an indirect wholly-owned subsidiary of the Company) and 25% by Dongying Haibao. The ultimate beneficial owner of Dongying Haibao is Zhang Xiaochuan (張小川). To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Dongying Haibao and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

Information on Standard Bio (Juye)

Standard Bio (Juye) is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Standard Bio (Juye) is principally engaged in the treatment of organic wastages and energy transformation.

Information on Shandong Tengde

Shandong Tengde is a company established under the laws of the PRC with limited liability. It is principally engaged in design and construction works in environmental constructions; and production, research and development and sales of environmental equipment and materials. The equity interest in Shandong Tengde is owned as to 2%, 3% and 95% by Ding Yanyan (丁彥彥), Wang Xiaopan (王曉盼) and Ding Zhiwei (丁志偉), respectively.

Information on Wansheng Environmental

Wansheng Environmental is a company established under the laws of the PRC with limited liability. It is principally engaged in construction management services, research and development of construction and know-hows and undertaking contracts of properties and municipal facilitates construction works. The equity interest in Wansheng Environmental is owned as to 87% by Liu Yutao (劉玉濤) (directly and indirectly through Jinan Xinda Construction Service Co., Ltd*. (濟南鑫達工程服務有限公司)) and 13% by Wang Xiaoxiao (王曉曉), respectively.

Information on Juancheng County Natural Resources and Planning Bureau

Juancheng County Natural Resources and Planning Bureau is a PRC governmental body responsible for, among other things, the administration of local land resources.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group is principally engaged in construction and engineering related business, petroleum business, farming business and bio-energy business.

The Land Acquisition and the establishment and construction of the Juye Facilities (including the anaerobic facilities therein) are the Group's endeavours to further develop and pursue its bio-energy business.

The Juye Facilities (including the anaerobic facilities therein), upon completion, will be used for the treatment of organic wastages for energy transformation. The Group also intends to establish organic wastages filtration, purification and treatment facilities and other ancillary facilities on the Land for the further development and expansion of the bio-energy business of the Group.

Through the Construction of the Juye Facilities, the Group will be able to grasp attractive business opportunities by capturing the demand in the organic wastage treatment business in rural areas of Mainland China. In addition, the bio-energy business of the Group is also consistent with the rural revitalisation initiatives encouraged by the PRC government and hence has gained support from the local government. As the contract sums of the Construction and Anaerobic Facilities Construction and the consideration of the Land Acquisition were determined through a tendering or bidding process, the Board considers that terms and conditions of the Construction, the Anaerobic Facilities Construction and the Land Acquisition are fair and reasonable and no less favourable than those provided by independent third parties to the Company.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Land Use Rights Transfer Agreement, the Construction Agreement and the Anaerobic Facilities Construction Agreement are agreed after arms' length negotiations, on normal commercial terms, and the Construction, the Anaerobic Facilities Construction and the Land Acquisition are 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 each of the Construction, the Anaerobic Facilities Construction and the Land Acquisition exceed 5% but all are lower than 25%, each of the Construction, the Anaerobic Facilities Construction and the Land Acquisition constitutes a discloseable transaction of the Company, and thus is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the Construction and the Anaerobic Facilities Construction involve the construction and development of the Juye Facilities (including the anaerobic facilities therein) by or on behalf of the Group for its own use in conducting its bio-energy business which is in its ordinary and usual course of business, the Company considers that the Construction and the Anaerobic Facilities Construction are not required to be aggregated pursuant to Rule 14.23A of the Listing Rules.

The Company should have complied with the relevant reporting and announcement requirements under Chapter 14 of the Listing Rules in respect of each of the Construction, the Anaerobic Facilities Construction and the Land Acquisition, which constituted a discloseable transaction, as and when such obligations arose. The Company did not comply with the announcement requirement under Chapter 14 of the Listing Rules due to a misunderstanding amongst the operations team of the Group that each of the Construction, the Anaerobic Facilities Construction and the Land Acquisition was in the ordinary and usual course of business of the Group and part of the day-to-day business activities of the Group. The Land Use Rights Transfer Agreement, the Construction Agreement and the Anaerobic Facilities Construction Agreement were entered into at the subsidiary level in the PRC under the misconception that the introduction of the bio energy business and the development plan thereof have already been disclosed in the circular of the Company dated 20 July 2023. The non-compliances were inadvertent and not intentional.

REMEDIAL ACTIONS AND MEASURES

To prevent similar non-compliance from occurring in the future, the Company has adopted and taken the following remedial measures and actions:

- (i) the Company has re-circulated and enhanced the internal communication policy to the management team and responsible staff of the Company regarding the reporting procedure for notifiable transactions subject to Listing Rules requirements so as to enhance supervision and effective compliance from the top;
- (ii) the compliance department of the Group shall work closely and check with the subsidiaries/business units of the Group as to potential transactions that are expected to be finalized (including obtaining sufficient particulars). Based on the information provided, the compliance department of the Group shall advise the applicable compliance requirements under the Listing Rules (after consultation with professional advisers, if necessary). If required, the compliance department of the Group shall report the details of the transaction to senior management or the Board (as appropriate) as soon as possible and shall arrange notification, publication and/or shareholders' approval in accordance with the Listing Rules;
- (iii) the Company has arranged its legal advisers to advise the management team on the application and requirements of the Listing Rules and compliance requirements for notifiable transactions;
- (iv) the Company will provide or procure additional training on regulatory compliance matters to the management team on a regular basis to ensure they have the practical knowledge to identify notifiable transactions and comply with relevant requirements under the Listing Rules; and
- (v) the Company will work more closely with and seek advice from its professional advisers in a timely fashion on compliance issues, if needed. The Company will allocate resources such that the independent non-executive Directors will have sufficient access to independent professional advice as they see fit in assessing future transactions of the Group.

DEFINITIONS

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

“Anaerobic Facilities Construction”	the construction work in relation to anaerobic facilities, including provision of equipment, installation and addition works, procurement, tuning-in and calibration and training, in the Juye Facilities under the Anaerobic Facilities Construction Agreement
“Anaerobic Facilities Construction Agreement”	the construction agreement entered into between Standard Bio (Juye) and Wansheng Environmental (as contractor) on 13 September 2023 in relation to the Anaerobic Facilities Construction
“associate(s)”	has the meaning 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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction”	the construction work in relation to production facilities, pump and water storage facilities, filtration, purification and treatment facilities, integrated complex and ancillary constructions (e.g. electricity and gas) of the Juye Facilities under the Construction Agreement
“Construction Agreement”	the construction agreement entered into between Standard Bio (Juye) and Shandong Tengde (as contractor) on 9 September 2023 in relation to the Construction
“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
“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
“Juancheng County Natural Resources and Planning Bureau”	Juancheng County Natural Resources and Planning Bureau* (鄆城縣自然資源和規劃局)
“Juye Facilities”	production facilities, pump and water storage facilities, filtration, purification and treatment facilities, integrated complex and ancillary constructions (e.g. electricity and gas) to be constructed on the site located in Dongguantun Town, Juye County, Heze City, Shandong Province* (山東省荷澤市巨野縣董官屯鎮) under the Construction Agreement
“Land”	a piece of land with an area of 70,808 sq.m. located north of Weiwu Road and east of Shuijiaodi, Beijie Village, Juancheng County, Heze City, Shandong Province, the PRC (中國山東省荷澤市鄆城縣緯五路北北街村水澆地東)
“Land Acquisition”	the acquisition of the Land Use Rights of the Land pursuant to the terms and conditions of the Land Use Rights Transfer Agreement
“Land Use Rights”	the land use rights of the Land
“Land Use Rights Transfer Agreement”	the land use rights transfer agreement dated 29 March 2024 entered into between Standard Bio (Juancheng) and the Juancheng County Natural Resources and Planning Bureau in relation to the Land Acquisition
“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 Region)
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Tengde”	Shandong Tengde Construction Group Co., Ltd.* (山東騰德建設集團有限公司), a company established under the laws of the PRC with limited liability
“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
“sq.m.”	square metre
“Standard Bio (Juancheng)”	Standard Bio (Juancheng) Co., Ltd.* (標發生態(鄆城)有限公司), a company established under the laws of the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Standard Bio (Juye)”	Standard Bio (Juye) Co., Ltd.* (標發生態(巨野)有限公司), a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Standard Development (Shandong)”	Standard Development (Shandong) Co., Ltd.* (標準發展(山東)有限公司), a company established under the laws of 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 ascribed to it under the Listing Rules
“Wansheng Environmental”	Hebei Wansheng Environmental Construction Co., Ltd.* (河北萬生環保工程有限公司), a company established under the laws of the PRC with limited liability
“%”	per cent.

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

Hong Kong, 27 June 2024

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*