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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01250)

DISCLOSEABLE TRANSACTION IN RELATION TO THE EPC CONTRACT

ENTER INTO THE EPC CONTRACT

The Board announces that on 25 October 2024 (after trading hours), HZHS Clean Energy (a wholly-owned subsidiary of the Company, as the principal), entered into the EPC Contract with PowerChina Beijing (as the contractor). Pursuant to the EPC Contract, HZHS Clean Energy agreed to engage PowerChina Beijing to provide relevant EPC services in relation to the Project.

LISTING RULES IMPLICATIONS

As at the date of this announcement, as one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction under the EPC Contract exceeds 5% but is less than 25%, the transaction under the EPC Contract constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

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THE EPC CONTRACT

The major terms of the EPC Contract are as follows:

- Date** : 25 October 2024 (after trading hours)
- Parties** : (a) HZHS Clean Energy (as the principal); and
(b) PowerChina Beijing (as the contractor)
- Project** : 93.75MW wind power project in Mudan District, Heze City, Shandong Province, comprising, among other things, the construction of wind farms, booster stations, collector lines and transmission lines.
- Scope of service** : Survey and design, procurement of equipment, facilities and materials, construction engineering, equipment installation, commissioning, performance assessment, completion acceptance, testing, project management, technical services and provision of other facilities related to the Project.
- PowerChina Beijing shall be responsible for providing the technology, labour, equipment, materials, machinery, tools, testing and inspection required for completing the construction of the Project in accordance with the terms of the EPC Contract.
- Construction period** : 316 calendar days. The completion and acceptance of the Project is scheduled on 30 August 2025.
- Defect liability period** : 12 months after completion and acceptance of the Project.
- Warranty period** : From two to five years after completion and acceptance of the Project depending on different equipment and engineering construction.

Consideration : RMB183,490,463.74 (tentatively, tax inclusive), which is comprised of (i) construction and installation project fee of RMB75,311,724.30 (tax inclusive), (ii) equipment purchase fee of RMB31,114,250.00 (tax inclusive), (iii) survey and design fee of RMB3,500,000.00 (tax inclusive), and (iv) other fee of RMB73,564,489.44 (tax inclusive), including provisional estimated amount of RMB39,858,375.44 (tax inclusive) and provisional listed amount of RMB9,264,673.00 (tax inclusive). The provisional amount is subject to adjustment based on actual engineering construction. Based on the total tentative consideration and the approved installed capacity of 93.75MW, the unit price shall be approximately RMB1.9572 per watt. If the actual installed capacity is greater than the approved installed capacity, it will be settled according to the approved installed capacity, and if it is less than the approved installed capacity, it will be settled according to the actual installed capacity.

The consideration of the EPC Contract was determined by the parties after arm's length negotiation and through a tendering selection process. In particular, HZHS Clean Energy has considered the following factors during the selection: (i) the track record of the candidates of contractor on performing projects of similar size; (ii) the size of operation, manpower, financial performance, specialised technological know-hows and professional qualifications of the candidates of contractor; and (iii) the quotations submitted by the candidates of contractor and the prevailing market price of provision of similar services. Taking into account of product quality, proposed consideration, commercial terms and business reputation, PowerChina Beijing was granted the EPC Contract as it scored the first among all the contractors.

Payment terms : The consideration shall be paid by HZHS Clean Energy to PowerChina Beijing in the following manners:

(i) Advance payment: 10% of the total consideration (excluding provisional listed amount) shall be paid as advance payment within one month after the EPC Contract having been signed or seven days before the agreed date of commencement of work. The amount of advance payment will be subsequently deducted from the progress payments.

(ii) Progress payments

- (a) Survey and design fee: 1) 50% of the total survey and design fee shall be paid after submission of the construction drawings and completion of relevant procedures. 2) Up to 97% of the total survey and design fee shall be paid after completion and acceptance of the Project. 3) The remaining 3% of the total survey and design fee shall be paid after one year of the completion and acceptance of the Project.

- (b) Project progress fee: 1) Up to 70% of the total construction and installation fee and up to 80% of total equipment procurement fee shall be paid, respectively, based on the actual amount of the construction work completed each month. 2) Up to 85% of the total construction and installation fee and total equipment procurement fee shall be paid after full-capacity on-grid connection of the Project. 3) Up to 90% of the total construction and installation fee and total equipment procurement fee shall be paid within two months after full-capacity on-grid connection of the Project. 4) Up to 97% of the total construction and installation fee and total equipment procurement fee shall be paid after completion and acceptance of the Project.

- (c) Other progress fee: 1) Up to 70% of the actual amount of the construction work completed shall be paid after the contractor having submitted and the principal having approved the output statement and other documents. 2) Up to 90% of the actual amount of the construction work completed shall be paid after full-capacity on-grid connection of the Project. 3) Up to 97% of the actual amount of the construction work completed shall be paid after completion and acceptance of the Project.

- (iii) Quality warranty: 3% of the total consideration shall be retained as quality warranty, which shall be paid upon expiry of defect liability period.

Performance guarantee : Under the EPC Contract, the contractor shall provide performance guarantee in the amount equivalent to 10% of the total consideration to the principal by way of a letter of guarantee. The performance guarantee shall be returned to the contractor after the satisfactory completion inspection of the Project.

The payment of consideration under the EPC contract will be funded by internal resources of the Group. Upon completion of the construction, the wind farms of the Project shall be owned and operated by HZHS Clean Energy.

INFORMATION OF THE PARTIES

The Company and the Group

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.

HZHS Clean Energy

HZHS Clean Energy is a company incorporated in the PRC with limited liability. As at the date of this announcement, HZHS Clean Energy is a wholly-owned subsidiary of the Company and is principally engaged in power generation business, power transmission business, power supply (distribution) business; construction engineering design; construction engineering; emerging energy technology research and development; investment with its own funds; solar power generation technology services; wind power generation technology services; renewable resources technology research and development; technology services, technology development, technology consulting, technology exchanges, technology transfer and technology promotion.

PowerChina Beijing

PowerChina Beijing is a company incorporated in the PRC with limited liability. As at the date of this announcement, PowerChina Beijing is a wholly-owned subsidiary of PowerChina and is principally engaged in survey design.

PowerChina

PowerChina is a joint stock company incorporated in the PRC with limited liability, the A shares of which are listed on the Main Board of the Shanghai Stock Exchange (Stock Code: 601669), and is principally engaged in engineering contracting and survey design, power investment and operation, equipment manufacturing and leasing and other business.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, PowerChina Beijing and its ultimate beneficial owner are Independent Third Parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EPC CONTRACT

Being an indirect controlling shareholder of the Company, SDHS Group supports the Group to seize the major opportunities of the state to support Shandong Province to deepen the transformation of old-power to new-power and promote green, low-carbon and high-quality development, and to participate in the investment and construction of land and ocean scale wind power and photovoltaic bases in Shandong Province, so as to help the development of Shandong Province in a green, low-carbon and high-quality manner. In early August 2023, works on competitive allocation for the centralised onshore wind power projects had been launched in Shandong Province, planning to construct centralised onshore wind power plants with scale of 8,755 MW in 6 cities including Jinan, Heze and Liaocheng. After becoming a member of SDHS Group, the Group has been empowered with strong resource from the controlling shareholder. And this Project represents one of the high-quality onshore wind power projects the Group successfully won the bid for in Shandong Province through self-development.

As one of the players in the new energy industry in China, the Group has been developing the clean energy market in Shandong Province and other regions, actively collaborating with local governments to promote the implementation of high-quality industries, and firmly pursuing a long-term, sustainable and high-quality development pace. The Directors consider that the development of the wind power project will enable the Group to further extend its coverage and footprint in the wind power industry in China which will become an additional source of profit for the Group in the field of new energy. Having considered the above, the Directors are of the view that the wind power project would enable the Group to achieve sustainable development through diversification of business portfolio to broaden the Group's revenue base and enhance its earning capabilities.

The Group conducted an open tender in September 2024 to invite for main contractor for the construction and engineering works of wind farms under the wind power project and the EPC Contract was entered into after completion of the open tender process.

The terms of the EPC Contract were determined in accordance with the terms of the aforesaid open tender and after arm's length negotiations among the parties thereto. The construction and engineering works of wind farms is vital for the development of the wind power project which will benefit the Group as detailed above. In view of the above, the Directors (including the independent non-executive Directors) considers that the terms of the EPC Contract are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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DEFINITIONS

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

“associate(s)”	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)
“Director(s)”	the director(s) of the Company
“EPC Contract”	the engineering, procurement and construction contract dated 25 October 2024 entered into by HZHS Clean Energy and PowerChina Beijing for the Project
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HZHS Clean Energy”	Heze Shandong Hi-Speed Clean Energy Co., Ltd.* (菏澤山高清潔能源有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“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 the Company or their subsidiaries, and their respective associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatts
“PowerChina”	Power Construction Corporation of China, Ltd.* (中國電力建設股份有限公司), a joint stock company incorporated in the PRC with limited liability and the A shares of which are listed on the Main Board of the Shanghai Stock Exchange (Stock Code: 601669)
“PowerChina Beijing”	PowerChina Beijing Engineering Corporation Limited* (中國電建集團北京勘測設計研究院有限公司), a company incorporated in the PRC with limited liability
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Project”	93.75MW wind power project in Mudan District, Heze City, Shandong Province
“RMB”	Renminbi, the lawful currency of the PRC
“SDHS Group”	Shandong Hi-Speed Group Co. Ltd. (山東高速集團有限公司), a company established in the PRC with limited liability and an indirect controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
Shandong Hi-Speed New Energy Group Limited
Li Tianzhang
Chairman

Hong Kong, 25 October 2024

As at the date of this announcement, the Board comprises Mr. Li Tianzhang, 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.