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# SHENGLI OIL & GAS PIPE HOLDINGS LIMITED
# 勝利油氣管道控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1080)**

## DISCLOSEABLE TRANSACTION
## DISPOSAL OF EQUITY INTEREST IN THE TARGET COMPANY

### THE DISPOSAL

The Board announces that on 24 November 2023, the Vendor (an indirect wholly-owned subsidiary of the Group) entered into the Equity Transfer Agreement with the Purchaser, whereby the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Equity, representing 2% of the equity interest of the Target Company, at the consideration of RMB10,780,000.

The Target Company is accounted for as an associate of the Group in the consolidated financial statements using equity method. Upon the Completion, the Group will retain approximately 19.95% of equity interest in the Target Company and, therefore, lose its significant influence over the Target Company under the relevant accounting standards. Accordingly, the Target Company will cease to be an associate of the Group and the retained equity interest in the Target Company will be irrevocably designated and recognised as a financial asset designated at fair value through other comprehensive income in the consolidated financial statements by the Group as the Group intends to hold the retained equity interest in the Target Company for long-term investment purpose. The Group considers the accounting treatment under this classification provide more relevant information for the retained equity interest in the Target Company.

### LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios set out in the Listing Rules in respect of the transactions as contemplated under the Equity Transfer Agreement is more than 5% but less than 25%, the entering into of the Equity Transfer Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

## THE DISPOSAL

The Board announces that on 24 November 2023, the Vendor (an indirect wholly-owned subsidiary of the Group) entered into the Equity Transfer Agreement with the Purchaser whereby the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Equity, representing 2% of the equity interest of the Target Company, at the consideration of RMB10,780,000.

The principal terms of the Equity Transfer Agreement are summarised below:

### Date

24 November 2023

### Parties

(1) the Vendor; and

(2) the Purchaser.

### Subject assets to be disposed

The Sale Equity representing 2% of the equity interest of the Target Company.

### Consideration

The consideration of RMB10,780,000 is payable by the Purchaser in cash to the Vendor within twenty days after execution of the Equity Transfer Agreement, or any other date agreed by the Purchaser and Vendor in writing.

### Basis of the Consideration

The consideration was agreed between the Vendor and the Purchaser after arm's length negotiations with reference to the valuation of the Target Company as at 30 June 2023 as per the valuation report dated 11 August 2023 issued by the Independent Valuer (as defined below) (the "**Valuation Report**").

Based on the aforementioned, the Directors consider that the Consideration is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

## Conditions Precedent

Completion is subject to and conditional upon the fulfilment or waiver of the Conditions Precedent. In a situation where a party seeks a waiver of each or all of the Conditions Precedent, such application for waiver should be made in writing. The Conditions Precedent of the Equity Transfer Agreement are set out as follows:

(i) the Vendor has obtained all necessary consents, approval, permits and/or other relevant documentations or no further enquiry from relevant authorities (included but not limited to the Hong Kong Stock Exchange), departments and/or third parties in accordance with the Vendor's constitutional documents, internal approval procedures and the relevant laws for the execution of the Equity Transfer Agreement and the transaction contemplated thereunder; and

(ii) the Purchaser has obtained all necessary consents, approval, permits and/or other relevant documentations from relevant authorities, departments and/or third parties in accordance with the Purchaser's constitutional documents, internal approval procedures and the relevant laws for the execution of the Equity Transfer Agreement and the transaction contemplated thereunder.

In the event that any of the Conditions Precedent is not fulfilled (or waived as the case may be) on or before 5:00 p.m. on 15 December 2023 (or any other date as agreed between the Vendor and the Purchaser in writing), the Equity Transfer Agreement shall be terminated in accordance with the terms and conditions of the Equity Transfer Agreement.

## Completion

Completion shall take place upon completion of the registration procedures for the transfer of the Sale Equity with the relevant local administration for market regulation (市場監督管理局) of the PRC, and not later than ten working days from the fulfilment or waiver of all Conditions Precedent.

Upon Completion, the Vendor and Purchaser will own approximately 19.95% and 11.93% of the registered share capital in the Target Company, respectively.

## INFORMATION ON THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and is principally engaged in electric power installation, repair and test; power generation, transmission and supply business; wind power technology service; sales of wind turbines and components; manufacturing of electric generators and generator sets; manufacturing of new energy primary equipment and others.

Based on public information, the Purchaser is wholly owned by Mr. Chen Yingyu, a PRC resident. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner (namely Mr. Chen Yingyu) are Independent Third Parties.

## INFORMATION ON THE TARGET COMPANY

As at the date of this announcement, the Target Company is a company incorporated in the PRC with limited liability, an associate of the Company, owned as to approximately 21.95% by the Vendor and 9.93% by the Purchaser respectively before the Disposal. The remaining interest of the Target Company is owned as to approximately 58.97% by Beijing Zhongdian Jieneng Investment Centre (Limited Partnership)* (北京中電潔能投資中心(有限合夥)), which is ultimately controlled by Chen Yingyu* (陳英育) through Hangzhou Hanyue New Energy Co., Ltd.* (杭州晗月新能源有限公司) and approximately 9.15% by Xinfeng Holding (Beijing) Co., Ltd.* (新鋒控股(北京)有限公司), respectively. It is principally engaged in the manufacturing and sales of new energy primary equipment, sales of wind farm related equipment, wind power generation technology services, sales of wind turbines and components, research and development of emerging energy technologies and other related businesses in the PRC. In addition to its own business, the Target Company also directly hold equity interests in certain other companies (collectively, the "**Direct Investee Companies**").

Set out below is the audited consolidated financial information of the Target Company for each of the two financial years ended 31 December 2021 and 2022 prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board:

| | **For the year ended 31 December 2022** *RMB'000* | **For the year ended 31 December 2021** *RMB'000* |
|---|---|---|
| Revenue | 266,455 | 163,917 |
| Net profit before taxation | 8,410 | 6,005 |
| Net profit after taxation | 7,688 | 5,710 |

As at 30 June 2023, the unaudited consolidated net asset value of the Target Company was approximately RMB708,567,000.

* *for identification purpose only*

## VALUATION

An equity valuation has been conducted against the Target Company by ValQuest Advisory (Hong Kong) Limited (中誠達行(香港)有限公司) (the "**Independent Valuer**"), an Independent Third Party, to assess the equity interest of the Target Company as of 30 June 2023. The Independent Valuer issued the Valuation Report on 11 August 2023.

According to the Valuation Report, the fair value of 100% equity interest of the Target Company as of 30 June 2023 was approximately RMB538,671,000. The valuation was valued based on an adjusted asset approach.

The Independent Valuer has adopted an adjusted asset approach, whereby the fair value of the Target Company is the sum of the values of the values of its group's business and the value of the Direct Investee Companies.

The Independent Valuer has adopted an asset approach to estimate the fair value of the Direct Investee Companies. As our Directors consider that there have been no significant changes in the business or value of the Direct Investee Companies that are materially different from the value as of 30 June 2023, asset approach is adopted for the valuation of Direct Investee Companies, which their net asset values were used in the valuation. Certain adjustments to the valuation were made by the Independent Valuer which took into account, among others, the Target Company's performance and the existing active business operation.

To the best of the knowledge, information and belief of the Directors, the Valuation Report prepared by the Independent Valuer does not constitute a profit forecast under Rule 14.61 of the Listing Rules. This announcement is therefore not subject to the requirements under Rules 14.60A and 14.62 of the Listing Rules in relation to profit forecast.

## INFORMATION ON THE COMPANY AND THE VENDOR

The Company was incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Hong Kong Stock Exchange. The Group is principally engaged in the manufacture, processing and sale of welded steel pipes for oil and gas pipelines and other construction and manufacturing applications and trading of commodities.

The Vendor was established in the PRC with limited liability and is indirectly wholly-owned by the Company. It is principally engaged in the trading of commodities.

## REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has been committed to establish a business presence in China's high-end oil and gas pipeline market, and has taken proactive steps to venture into new business fields with a vision to promote sustainable growth of the Group. The Company is of the view that the cash inflow from the Disposal will improve the Company's overall working capital condition and anticipates that the net proceeds from the Disposal will be used as operating funds of the Group to provide financial support for the development of its principal business and new business opportunities, thus enhancing the profitability and sustainability of the Group's business and improve returns to the Shareholders.

The Company considers that the Disposal is a good opportunity to improve liquidity and alleviate the Company's net loss position. In view of the above, the Directors (including the independent non-executive Directors) are of the view that the Disposal and the terms of the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## FINANCIAL EFFECTS OF THE DISPOSAL

Upon the Completion, the Group will retain approximately 19.95% of equity interest in the Target Company and, therefore, lose its significant influence over the Target Company under the relevant accounting standards. Accordingly, the Target Company will cease to be an associate of the Group and the retained equity interest in the Target Company will be recognised as a financial asset designated at fair value through other comprehensive income in the consolidated financial statements by the Group as the Group intends to hold the retained equity interest in the Target Company for long-term investment purpose. The Group considers the accounting treatment under this classification provide more relevant information for the retained equity interest in the Target Company.

The gain or loss on the Disposal recognised in profit or loss is calculated as the difference between the fair value of retained equity interest in the Target Company and the Consideration for the Disposal and the carrying amount of the interest in the Target Company at the date of the Completion. With reference to the Valuation Report at 30 June 2023 and the carrying value of the interest in the Target Company at 30 June 2023, the Directors expect the gain or loss on the Disposal is insignificant to the Group's consolidated financial statements. The actual gain or loss on the Disposal to be recorded by the Group will depend on the fair value of retained equity interest in the Target Company and the carrying amount of the interest in the Target Company at the date of the Completion, and is subject to review and final audit by the Company's auditors and therefore may be different from the result mentioned above.

## USE OF PROCEEDS

The Directors expect that the net proceeds from the Disposal of RMB10.70 million will be applied to the working capital and used as operating funds of the Group.

## LISTING RULES IMPLICATION

As the highest of the applicable percentage ratios set out in the Listing Rules in respect of the transactions as contemplated under the Equity Transfer Agreement is more than 5% but less than 25%, the entering into of the Equity Transfer Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

## DEFINITIONS

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

| | |
|---|---|
| "Board" | the board of Directors |
| "Company" | Shengli Oil & Gas Pipe Holdings Limited (勝利油氣管道控股有限公司) (stock code: 1080), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Hong Kong Stock Exchange |
| "Completion" | the completion of the Disposal in accordance with the terms and conditions of the Equity Transfer Agreement |
| "Conditions Precedent" | the conditions precedent to the Disposal of the equity interests of the Target Company set out in the Equity Transfer Agreement |
| "Consideration' | the total consideration receivable by the Vendor pursuant to the Equity Transfer Agreement |
| "Director(s)" | the director(s) of the Company |

| | |
|---|---|
| "Disposal" | the sale of the 2% equity interest of the Target Company by the Vendor to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement |
| "Equity Transfer Agreement" | the equity transfer agreement dated 24 November 2023 entered into between the Vendor and the Purchaser in relation to the Disposal |
| "Group" | the Company and its subsidiaries from time to time |
| "Hong Kong" | Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Independent Third Party(ies)" | persons who themselves (and in the case of any corporate entities, their ultimate beneficial owners) are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of, and not connected with, the Company and its connected persons |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "PRC" | the People's Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "Purchaser" | Hangzhou Hanyue New Energy Co., Ltd* (杭州晗月新能源有限公司), a limited liability company established under the laws of the PRC |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Sale Equity" | the 2% equity interest of the Target Company owned by the Vendor |
| "Share(s)" | the ordinary shares of the Company |
| "Shareholder(s)" | holder(s) of the Shares |
| "Target Company" | Xinfeng Energy Enterprise Group Co., Ltd* (新鋒能源集團有限公司), a company established in the PRC with limited liability and owned as to approximately 9.93% by the Purchaser and 21.95% by the Vendor respectively |

| | |
|---|---|
| "Vendor" | Zhejiang Shengguan Industrial Co., Ltd* (浙江勝管實業有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| "%" | per cent |

By Order of the Board
**Shengli Oil & Gas Pipe Holdings Limited**
**Zhang Bizhuang**
*Executive Director and Co-Chief Executive Officer*

Zibo, Shandong, 24 November 2023

*As at the date of this announcement, the Directors of the Company are:*

| | |
|---|---|
| *Executive Directors:* | *Mr. Zhang Bizhuang, Mr. Wang Kunxian, Ms. Han Aizhi, Mr. Zhang Danyu and Mr. Zhang Bangcheng* |
| *Non-executive Director:* | *Mr. Wei Jun* |
| *Independent non-executive Directors:* | *Mr. Chen Junzhu, Mr. Wu Geng and Mr. Qiao Jianmin* |

* *The English name is for identification only*