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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)**

## **MAJOR TRANSACTION – TRANSFER OF APPROXIMATELY 9.9% EQUITY INTEREST OF AN ASSOCIATE**

### **THE TRANSFER**

The Board announces that on 22 December 2021 (after trading hours), the Transferor and the Transferee entered into the Equity Transfer Agreement, pursuant to which the Transferor has conditionally agreed to transfer and the Transferee has conditionally agreed to acquire the Transferred Shares, representing approximately 9.9% of the equity interest in the Target Company in consideration of (i) the Transferee agreeing to pay up the unpaid registered capital of RMB81,420,000 with regard to the Transferred Shares and (ii) RMB1.00 in cash payable by the Transferee to the Transferor. Upon Completion, the Company will hold approximately 22.0% equity interest in the Target Company and the Target Company will continue to be accounted for as an associate of the Company using the equity method.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Transfer exceeds 25% but are below 75%, the Transfer constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements.

## **GENERAL**

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Transfer and the transactions contemplated thereunder. A circular containing, among other, (i) further details of the Transfer and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) notice of the EGM will be dispatched to the Shareholders as soon as practicable, which is expected to be on or before 10 January 2022 to allow sufficient time for the preparation of the relevant information for inclusion in the circular. If additional time is required for the Company to prepare and finalize certain information to be included in the circular, further announcement will be made by the Company as and when appropriate.

**As the Transfer is conditional upon the satisfaction of the conditions precedent set out in the Equity Transfer Agreement, it may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.**

## **INTRODUCTION**

The Board announces that on 22 December 2021 (after trading hours), the Transferor and the Transferee entered into the Equity Transfer Agreement, pursuant to which the Transferor has conditionally agreed to transfer and the Transferee has conditionally agreed to acquire the Transferred Shares, representing approximately 9.9% of the equity interest in the Target Company in consideration of (i) the Transferee agreeing to pay up the unpaid registered capital of RMB81,420,000 with regard to the Transferred Shares and (ii) RMB1.00 in cash payable by the Transferee to the Transferor.

## **THE EQUITY TRANSFER AGREEMENT**

The principal terms of the Equity Transfer Agreement are set forth below.

### **Date**

22 December 2021

### **Parties**

- (i) Transferor: 浙江勝管實業有限公司 (Zhejiang Shengguan Industrial Co., Ltd\*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
- (ii) Transferee: 杭州晗月新能源有限公司 (Hangzhou Hanyue New Energy Co., Ltd\*), a company incorporated in the PRC with limited liability

As at the date of this announcement, before the Transfer, the Target Company is held as to approximately 31.88% by the Transferor, approximately 9.15% by Xinfeng Holding and approximately 58.97% by Beijing Zhongdian Jieneng. The Transferee, which in turn is wholly owned by Mr. Chen Yingyu, holds approximately 38.73% equity interest of Beijing Zhongdian Jieneng and Mr. Chen Yingyu holds 38% equity interest of Xinfeng Holding. Save as the aforesaid, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Transferee and its ultimate beneficial owner are Independent Third Parties.

### **Subject matters of the Transfer**

Pursuant to the Equity Transfer Agreement, the Transferee has conditionally agreed to acquire and the Transferor has conditionally agreed to transfer the Transferred Shares, representing approximately 9.9% of the equity interest in the Target Company.

Details of the Target Group are included under the section headed "Information on the Target Company and the Transferee" in this announcement.

### **Consideration**

Pursuant to the Equity Transfer Agreement, the Consideration for the Transfer shall be (i) the Transferee agreeing to pay up the unpaid registered capital of RMB81,420,000 with regard to the Transferred Shares and (ii) RMB1.00 in cash payable by the Transferee to the Transferor.

The Transferee shall pay RMB1.00 in cash to the Transferor on Completion and pay up the unpaid registered capital of RMB81,420,000 with regard to the Transferred Shares before the proposed deadline of such payment obligation (being, 30 April 2022) as set out in the articles of association of the Target Company.

### **Basis of the Consideration**

The Consideration was determined after arm's length negotiations between the Transferor and the Transferee and on normal commercial terms. In reaching the Consideration, the Group took into account:

- (i) the unpaid registered capital of RMB81,420,000 with regard to the Transferred Shares;
- (ii) the valuation of 100% equity interest of the Target Company on a market value basis as at 30 June 2021 of RMB612,052,000 conducted by an independent valuer, Knight Frank Petty Limited, adopting the asset-based approach; and
- (iii) the unaudited financial information of the Target Company including but not limited to the consolidated net asset value of the Target Company as at 30 June 2021 of approximately RMB599,500,000.

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

## **Conditions Precedent**

Completion is conditional upon the satisfaction of the following conditions precedent:

- (a) Transferor obtaining all necessary consents or approval and other relevant documentations from relevant departments and/or relevant third parties in accordance with the Transferor's constitutional documents, the internal approval procedures and the relevant laws;
- (b) Transferee obtaining all necessary consents or approval and other relevant documentations from relevant departments and/or relevant third parties in accordance with the Transferee's constitutional documents, internal approval procedures and the relevant laws; and
- (c) Transferor obtaining all necessary approvals and documentations in accordance with the Listing Rules, including the approval from the Shareholders of the Company in the EGM.

In the event that any of the conditions precedent is not fulfilled on or before 5:00 p.m. on 28 February 2022 (or any other date as agreed between the Parties in writing), the Equity Transfer Agreement shall be terminated automatically.

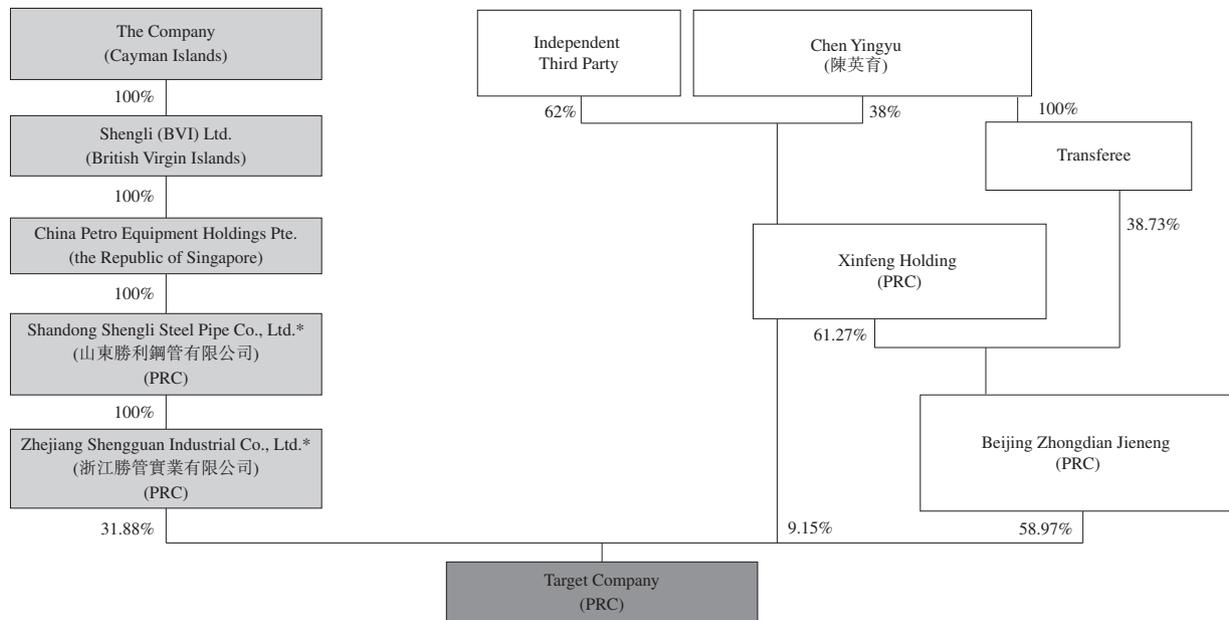
## **Completion**

Completion shall take place upon completion of the registration procedures regarding the Transfer by the Target Company with the relevant local Administration for Market Regulation (市場監督管理局), in any event, not later than 15 days from the fulfillment of all conditions precedent.

Upon Completion, the Target Company will continue to be accounted for as an associate of the Company using the equity method.

## INFORMATION ON THE TARGET COMPANY AND THE TRANSFEREE

The following diagram illustrates the shareholding structure of the Target Company before the Transfer as at the date of this announcement:



### Target Company

The Target Company is a company incorporated in the PRC with limited liability, an associate of the Company, with Transferor holding approximately 31.88% equity interest before the Transfer. It is principally engaged in survey, designing and construction of wind farms, sale of the whole machine and components of wind turbine sets and mechanical equipment and software development of digital wind farm system, technology development, consultation, operation and related businesses in the field of energy technology in the PRC.

The subsidiaries and associates in which the Target Company holds 30% or more equity interests as at the date of this announcement are set out as follows, with details confirmed by the Target Company:

No.	Name	Principal business	Principal place of business	Directly held by the Target Company	Equity Interest/ effective equity interest held by the Target Company
1	Zhejiang Xinfeng Energy Co., Ltd* (浙江新鋒能源有限公司)	Engaged in investment construction, operation management of wind power and solar power generation projects; and development of thermal power projects	PRC	Yes	100%
2	Beijing Xinfeng Energy Co., Ltd* (北京新鋒能源有限公司)	Power supply business; construction engineering design; and construction engineering survey	PRC	Yes	100%
3	Qinghai Jinyang New Energy Co., Ltd* (青海金陽新能源有限公司)	New energy development; hydropower, wind power and photovoltaic power generation; and wind farm survey and design	PRC	Yes	Approximately 95%
4	Weichang Manchu and Mongolian Autonomous County Youneng Wind Power Co., Ltd* (圍場滿族蒙古自治縣優能風電有限公司)	Wind farm project preparation; and exchange, development and consulting services relating to wind power technology	PRC	Yes	51%
5	Shanghai Ronghe Luying New Energy Technology Co., Ltd* (上海融和祿盈新能源科技有限公司)	Technology development, consultation and services in the fields of new energy, automotive technology, power and electrical equipment; and construction and operation of new energy vehicle charging facilities	PRC	Yes	45%
6	Qinghai Taibai New Energy Co., Ltd.* (青海泰白新能源有限公司)	Hydropower, wind power and photovoltaic power generation; digital wind farm system software development, and wind farm survey and design	PRC	Yes	30%
7	Zhenglanqi Huayi Electrical Equipment Co., Ltd* (正藍旗華儀電氣設備有限公司)	Design, manufacturing, sales, after-sales service and technical consultation of wind power generation equipment, complete sets of high and low voltage equipment and industrial electrical equipment; and investment and construction of wind farm projects	PRC	Yes	30%

No.	Name	Principal business	Principal place of business	Directly held by the Target Company	Equity Interest/ effective equity interest held by the Target Company
8	Guangxi Xinfeng Clean Energy Co., Ltd* (廣西新鋒清潔能源有限公司)	Power generation, transmission and supply business; research and development of wind farm related system; and sales of wind farm related equipment	PRC	No	100%
9	Dulan Jinyang New Energy Co., Ltd* (都蘭金陽新能源有限公司)	Investment construction, operation management of wind power and power generation	PRC	No	Approximately 95%
10	Dulan Taibai Wind Power Co., Ltd* (都蘭太白風電有限公司)	Investment construction, operation management of wind power and power generation	PRC	No	Approximately 95%
11	Henan Xinfeng Energy Co., Ltd* (河南新鋒能源有限公司)	Power generation, transmission and supply business; manufacturing of new energy primary power equipment; wind power technology service; and sales of wind turbines and parts	PRC	No	Approximately 67%
12	Xiehe New Energy Investment (Beijing) Co., Ltd* (協合新能投資(北京)有限公司)	Investment management; asset management; investment consulting; technology development and technical consultation; and conference services	PRC	No	49%
13	Cangnan Xiehe Wind Power Co., Ltd* (蒼南協合風力發電有限公司)	Development, construction and operation of wind farms; wind power project investment; and investment management and consulting	PRC	No	49%
14	Henan Jinyang New Energy Co., Ltd* (河南金陽新能源有限公司)	Sales of wind power equipment	PRC	No	Approximately 49%

No.	Name	Principal business	Principal place of business	Directly held by the Target Company	Equity Interest/ effective equity interest held by the Target Company
15	Mianchi Xiangyun New Energy Co., Ltd* (灑池祥雲新能源有限公司)	Development, construction, operation, production and sales of power generated by new energy; and electric power construction and technology development	PRC	No	Approximately 49%
16	Mianchi Xiangfeng New Energy Co., Ltd* (灑池祥風新能源有限公司)	Development, construction and operation of wind power generation and photovoltaic power generation	PRC	No	Approximately 34%
17	Inner Mongolia Xinfeng Tianyuan Wind Power Co., Ltd* (內蒙古新鋒天源風電有限公司)	Investment, construction, operation and management of wind power generation and photovoltaic power generation	PRC	No	30%
18	Inner Mongolia Xinfeng Tianneng Wind Power Co., Ltd* (內蒙古新鋒天能風電有限公司)	Investment, construction, operation and management of wind power generation and photovoltaic power generation; and development, sales and service of whole machine and components of wind turbine sets and mechanical equipment	PRC	No	30%

In addition, the Target Company also has 14 associates in the PRC in which it holds less than 30% equity interests.

### Financial information of the Target Company

Set out below is the unaudited consolidated financial information of the Target Company for each of the two financial years ended 31 December 2019 and 2020 which were prepared in accordance with the International Financial Reporting Standards:

	<b>For the year ended 31 December 2019 RMB'000</b>	<b>For the year ended 31 December 2020 RMB'000</b>
Revenue	248,097	61,790
Net (loss)/profit before taxation	(9,181)	15,552
Net (loss)/profit after taxation	(9,289)	15,482

As at 30 June 2021, the unaudited consolidated net asset value of the Target Company was approximately RMB599,500,000.

## **Information of the Transferee**

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Transferee 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.

As at the date of this announcement, before the Transfer, the Target Company is held as to approximately 31.88% by the Transferor, approximately 9.15% by Xinfeng Holding and approximately 58.97% by Beijing Zhongdian Jieneng. The Transferee, which in turn is wholly owned by Mr. Chen Yingyu, holds approximately 38.73% equity interest of Beijing Zhongdian Jieneng and Mr. Chen Yingyu holds 38% equity interest of Xinfeng Holding. For details, please refer to the diagram on the shareholding structure of the Target Company under this section.

## **POSSIBLE FINANCIAL EFFECT OF THE TRANSFER**

The Group is one of the largest oil and gas line pipe manufacturers in the PRC. The Group focuses on the design, manufacture, value-added processing and servicing of pipes (including SAWH pipes and SAWL pipes) which are used to transport crude oil, refined petroleum products and natural gas.

Upon Completion, the Group will be relieved from the investment commitment of approximately RMB81,420,000, being the amount of unpaid registered capital with regard to the Transferred Shares, and the Target Company will continue to be accounted for as an associate of the Company using the equity method. As such, save for the transaction costs in relation to the Transfer to be incurred by the Company, it is expected that the Transfer will not result in recognition of material gain or loss in the Company's consolidated statement of profit or loss and other comprehensive income after taking into account the foregoing as well as the Consideration. Shareholders should note that the actual amount of gain/loss from the Transfer to be recorded by the Company (if any) will be subject to review by the auditors of the Company.

Based on the monetary Consideration of RMB1.00, it is expected that the net proceeds from the Transfer shall be minimal.

## **REASONS FOR AND BENEFITS OF THE TRANSFER**

The Group has been proactively evaluating the performance of each business segment, assets and investments, and is committed to constantly optimising the current business structure through streamlining business operations and remaining focused on its principal business, so as to generate long-term and stable gains for the Group, enhance the core profitability of the Group and improve returns for the Shareholders. The Directors (including the independent non-executive Directors) are of the view that, once materialized, the Transfer will relieve the Group from investment commitments in such non-core business, unleash the Group's cash resources for the principal business of the Group, and simultaneously strengthen its overall working capital condition, and provide adequate financial support for the principal business of welded pipes of the Group amid the great development opportunities in the pipeline industry, thus enhancing the core profitability and business sustainability of the Group.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under the Listing Rules in respect of the Transfer exceeds 25% but are below 75%, the Transfer constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements.

## **GENERAL**

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Transfer and the transactions contemplated thereunder. A circular containing, among other, (i) further details of the Transfer and the transactions contemplated thereunder; (ii) other information as required under the Listing Rules; and (iii) notice of the EGM will be dispatched to the Shareholders as soon as practicable, which is expected to be on or before 10 January 2022 to allow sufficient time for the preparation of the relevant information for inclusion in the circular. If additional time is required for the Company to prepare and finalize certain information to be included in the circular, further announcement will be made by the Company as and when appropriate.

**As the Transfer is conditional upon the satisfaction of the conditions precedent set out in the Equity Transfer Agreement, it may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Beijing Zhongdian Jieneng”	Beijing Zhongdian Jieneng Investment Centre (Limited Partnership)* (北京中電潔能投資中心 (有限合夥)), a limited partnership established in the PRC and one of the existing shareholders of the Target Company holding approximately 58.97% equity interest before the Transfer
“Board”	the board of Directors of the Company
“business day(s)”	a day (not being a Saturday or Sunday or public holiday) when banks generally are open in PRC for the transaction of general banking business
“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 Stock Exchange
“Completion”	the completion of the Transfer in accordance with the terms and conditions of the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	refers to (i) the Transferee agreeing to pay up the unpaid registered capital of RMB81,420,000 with regard to the Transferred Shares and (ii) RMB1.00, for the Transfer pursuant to the Equity Transfer Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Transfer and the transactions contemplated thereunder
“Equity Transfer Agreement”	the equity transfer agreement in respect of the transfer of the Transferred Shares dated 22 December 2021 between the Transferor and the Transferee
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	collectively, the Transferor and the Transferee, being the parties to the Equity Transfer Agreement, and each a “Party”
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Share(s)”	share(s) of HK\$0.1 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	新鋒能源集團有限公司 (Xinfeng Energy Enterprise Group Co., Ltd*) (formerly known as Shanghai Xinfeng Enterprise Group Co., Ltd.* (上海新鋒企業集團有限公司)), a company incorporated in the PRC with limited liability, an associate of the Company, with Transferor holding approximately 31.88% equity interest before the Transfer
“Transfer”	the transfer of the Transferred Shares, pursuant to the terms and conditions of the Equity Transfer Agreement
“Transferee”	杭州哈月新能源有限公司 (Hangzhou Hanyue New Energy Co., Ltd*), a company incorporated in the PRC with limited liability
“Transferor”	浙江勝管實業有限公司 (Zhejiang Shengguan Industrial Co., Ltd*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

“Transferred Shares”	equity interest of registered capital of RMB81,420,000, representing approximately 9.9% of the entire equity interest in the Target Company
“Xinfeng Holding”	Xinfeng Holding (Beijing) Co., Ltd.* (新鋒控股 (北京)有限公司), a company incorporated in the PRC with limited liability and one of the existing shareholders of the Target Company holding approximately 9.15% equity interest before the Transfer
“%”	per cent.

\* For reference purpose only, the English names of these companies, persons or documents are only a translation of their respective Chinese names. In the event of any discrepancies between the Chinese names and their respective English translations, the Chinese version shall prevail.

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

Zibo, Shandong, 22 December 2021

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

*Executive Directors: Mr. Zhang Bizhuang, Mr. Wang Kunxian, Ms. Han Aizhi and Mr. Zhang Bangcheng*

*Non-executive Directors: Mr. Wei Jun and Mr. Huang Guang*

*Independent non-executive Directors: Mr. Chen Junzhu, Mr. Wu Geng and Mr. Qiao Jianmin*

*This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this announcement misleading.*