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勝利管道  
SHENGLI PIPE

## 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)**

## SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of the Company dated 24 November 2023 (the “**Announcement**”) in relation to the disposal of equity interest in the Target Company. Unless otherwise specified in this announcement, capitalised terms used therein shall have the same meaning as defined in the Announcement. The Board would like to provide further information in relation to the Disposal.

### FINANCIAL EFFECTS OF THE DISPOSAL

As stated in the Announcement, with reference to the Valuation Report at 30 June 2023 and the carrying value of the interest in the Target Company as at 30 June 2023, the Directors expect the gain or loss on the Disposal is insignificant to the Group’s consolidated financial statements. It is estimated that the Company will record a gain in the sum of approximately RMB7,000 on the Disposal. Nevertheless, as mentioned in the Announcement, 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.

## VALUATION

As stated in the Announcement, the Independent Valuer used an adjusted asset approach to determine the fair value of the Target Company. This approach involved combining the values of the business (“**Business**”) within the Target Company’s group and the Direct Investee Companies. As at 30 June 2023, the Target Company directly held the following equity interests in the Direct Investee Companies:

- (i) 100% of 北京新鋒能源有限公司 (Beijing Xinfeng Energy Co., Ltd.\*);
  - (ii) 100% of 浙江新鋒能源有限公司 (Zhejiang Xinfeng Energy Co., Ltd.\*) (“**Zhejiang Xinfeng**”);
  - (iii) 94.67% 青海金陽新能源有限公司 (Qinghai Jinyang New Energy Co., Ltd.\*) (“**Qinghai Jinyang**”);
  - (iv) 51% 圍場滿族蒙古族自治縣優能風電有限公司 (Weichang Manchu Mongolian Autonomous County Youneng Wind Power Co., Ltd.\*);
  - (v) 30% 青海泰白新能源有限公司 (Qinghai Taibai New Energy Co., Ltd.\*);
  - (vi) 30% 正藍旗華儀電氣設備有限公司 (Zhenglanqi Huayi Electric Equipment Co., Ltd.\*) (“**Zhenglanqi Huayi**”);
  - (vii) 20% 內蒙古華儀萬原風能有限公司 (Inner Mongolia Huayi Wanyuan Wind Power Co., Ltd.\*);
  - (viii) 100% 北京中電綠能電力投資中心 (Beijing Zhongdian Green Energy Power Investment Center\*);
  - (ix) 100% 偏關縣新鋒潔能有限公司 (Pianguan County Xinfeng Clean Energy Co., Ltd.\*) (“**Pianguan Xinfeng Clean Energy**”); and
  - (x) 100% 偏關縣新鋒能源有限公司 (Pianguan County Xinfeng Energy Co., Ltd.\*).
- (each a “**Direct Investee Company**”).

For the valuation of the Direct Investee Companies, the Independent Valuer employed an asset approach since these companies did not conduct substantive business and generate revenue as of 30 June 2023. The fair value of each Direct Investee Company was arrived at their respective effective holding of net asset value or book value, except for the following three companies where the Independent Valuer applied certain discounts to their net asset values:

- (i) the net asset value of Dulan Jinyang New Energy Co., Ltd.\* (都蘭金陽新能源有限公司) (“**Dulan Jinyang**”) as at 30 June 2023, indirectly held through its holding company Qinghai Jinyang, was RMB72,528,173, and a 100% discount was applied to determine a fair value of zero; and
- (ii) the net asset values of Zhejiang Xinfeng and Zhenglanqi Huayi as at 30 June 2023 were RMB19,609,785 and RMB13,312,130 (representing an effective holding of 30% equity interest), respectively. A 22% discount was applied to reach a fair value of RMB15,372,755 for Zhejiang Xinfeng and RMB10,435,816 for Zhenglanqi Huayi.

Dulan Jinyang was ruled by the Shanghai Financial Court (上海市金融法院) to compensate the counterpart in a litigation proceeding for approximately RMB220 million in April 2023. The compensation amount exceeded Dulan Jinyang’s net asset value as at 30 June 2023, leading the Independent Valuer to consider its fair value as zero.

As for Zhenglanqi Huayi and Zhejiang Xinfeng, they were involved in other legal proceedings, and the court ordered that their shares be restricted from trading until at least January 2025. To reflect this restriction, the Independent Valuer applied a 22% discount to their net asset values. According to the Valuer, this discount aligns with the prevailing practice in appraising equity interests with similar restrictions.

The Company would like to supplement further information regarding other adjustments and their impact on the valuation. Unlike the Direct Investee Companies, the Target Company’s Business generated significant revenue. Therefore, to determine the fair value of the Target Company’s Business, the Independent Valuer employed a market approach using the enterprise value to sales (EV/Sales) ratio, rather than an asset-based approach. The principal activities of the Business involve design and construction of wind farms, selling complete wind turbine sets and their components, as well as developing software for digital wind farm systems in the PRC.

Under the market approach, the Independent Valuer selected ten publicly traded comparable companies<sup>(Note)</sup> that operate similar businesses within the PRC. The sales growth and operating margin of these comparable companies in the latest financial year ranged from -51% to 16% and -6% to 21%, respectively. The Business exhibited sales growth of -40% and an operating margin of 0%, which are within the range of the comparable companies. Based on these comparable companies, the Independent Valuer utilized an EV/Sales multiple of 1.77x. Additionally, the Independent Valuer took into account the Target Company's trailing twelve months revenue, which included the pro-rated revenue from 2022 and the first six months of 2023, which has decreased by 40% (annualized) compared to the revenue in 2022.

After considering the aforementioned calculations, the Independent Valuer further applied a 16% discount for lack of marketability to the sum values of the Business and the Direct Investee Companies. According to the Independent Valuer, this discount aligns with the prevailing practice according to the Independent Valuer's assessment. The Independent Valuer estimated the value of the Target Company based on a non-marketable and non-controlling basis.

As a result of the aforementioned adjustments applied to the valuation, the appraised value of the Target Company represented an approximate 24% discount to its net asset value as at 30 June 2023.

Set out below, amongst others, are the major principal assumptions made by the Independent Valuer in the valuation:

- (i) the information and estimates (such as the expected exposure of legal liabilities, the composition of the investment profile, and the business and value of the Target Company and the Direct Investee Companies) provided by management of the Company are accurate and reliable;
- (ii) the public and statistical information obtained from reputable sources is also reliable;
- (iii) the political, legal, fiscal, and economic conditions in the countries where the business operates are expected to remain stable;
- (iv) the overall economic and industry outlook is anticipated to remain relatively stable, ensuring business continuity and fair value of shares;

*Note: these comparable companies include Shanghai Taisheng Wind Power Equipment Co Ltd (stock code: 300129.SZ), Sany Heavy Energy Co Ltd (stock code: 688349.SH), Shanghai Electric Wind Power Group Co Ltd (stock code: 688660.SH), Fullshare Holdings Ltd (stock code: 607.HK), Jiangsu Sinojit Wind Energy Technology Co Ltd (stock code: 601218.SH), Goldwind Science & Technology Co., Ltd (stock code: 002202.SZ), Jinlei Technology Co., Ltd (stock code: 300443.SZ), China High Speed Transmission Equipment Group Co., Ltd (stock code: 658.HK), Ming Yang Smart Energy Group Ltd (stock code: 601615.SH) and Zhejiang Windey Co Ltd (stock code: 300772.SZ).*

- (v) no significant changes have occurred in important factors such as tax rates, interest rates, borrowing rates, and exchange rates in the countries where the business operates, which would significantly impact its operations;
- (vi) the business has competent management and staff to support ongoing operations, ensuring successful operation with sufficient resources; and
- (vii) no major changes are expected in management, business strategies, and operational structure, which will continue to follow the current model.

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

Zibo, Shandong, 5 December 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*