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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)**

### DISCLOSEABLE TRANSACTION FORMATION OF A JOINT VENTURE COMPANY

#### THE SHAREHOLDERS' AGREEMENT

The Board is pleased to announce that on 17 September 2012, Siu Thai, a direct wholly-owned subsidiary of the Company, entered into the Shareholders' Agreement with Prodigy, Chang Ying, Guang Tong, Springhaven and the JV Company, according to which each of the JV Shareholders will subscribe for, and the JV Company will allot and issue, the JV Shares to the JV Shareholders, such that the JV Company will become a joint venture company between the JV Shareholders.

Pursuant to the Shareholders' Agreement, each of Siu Thai, Prodigy, Chang Ying, Guang Tong and Springhaven will subscribe for 40%, 35%, 7.75%, 4.75% and 12.5% of the share capital of the JV Company for a consideration of RMB100 million, RMB87.5 million, RMB19.375 million, RMB11.875 million and RMB31.25 million, respectively, payable by way of cash within one year from the date of the Shareholders' Agreement. Upon completion of the issuance of shares by the JV Company to the JV Shareholders, Siu Thai will have 40% interest in the JV Company and the JV Company will become a joint venture company of the Group.

According to the Shareholders' Agreement, the JV Company will further establish the HK Holdco and the HK Holdco will in turn establish the Project Company. The Project Company will primarily be engaged in the business of the processing, manufacturing and distribution of dome integration houses.

#### LISTING RULES IMPLICATIONS

As certain applicable percentage ratios of the Shareholders' Agreement are more than 5% but are less than 25%, the transaction under the Shareholders' Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

## **INTRODUCTION**

The JV Company was incorporated as a limited liability company under the laws of the BVI on 5 September 2012. As at the date of this announcement, it was wholly-owned by Siu Thai.

The Board is pleased to announce that on 17 September 2012, Siu Thai, a wholly-owned subsidiary of the Company, entered into the Shareholders' Agreement with Prodigy, Chang Ying, Guang Tong, Springhaven and the JV Company, according to which each of the JV Shareholders will subscribe for, and the JV Company will allot and issue, the JV Shares to the JV Shareholders, such that the JV Company will become a joint venture company between the JV Shareholders.

## **THE SHAREHOLDERS' AGREEMENT**

### **Date:**

17 September 2012

### **Parties:**

- (1) Siu Thai;
- (2) Prodigy;
- (3) Chang Ying;
- (4) Guang Tong;
- (5) Springhaven; and
- (6) JV Company

### **Subject Matter**

Pursuant to the Shareholders' Agreement, each of Siu Thai, Prodigy, Chang Ying, Guang Tong and Springhaven will subscribe for 40%, 35%, 7.75%, 4.75% and 12.5% of the share capital of the JV Company for a total consideration of RMB100 million, RMB87.5 million, RMB19.375 million, RMB11.875 million and RMB31.25 million, payable by way of cash. The Company will finance the contribution to the capital contribution of Siu Thai by internal resources of the Group.

According to the Shareholders' Agreement, the JV Company will further establish the HK Holdco and the HK Holdco will in turn establish the Project Company.

The terms of the Shareholders' Agreement are determined based on arm's length negotiations between the JV Shareholders.

Upon completion of the issuance of shares by the JV Company to the JV Shareholders, Siu Thai will have 40% interest in the JV Company and the JV Company will become a joint venture company of the Group.

### **Business of the JV Group**

The business of the JV Company and HK Holdco will be investment holding.

The businesses of the Project Company will be the processing, manufacturing and distribution of dome integration houses.

### **Timing of the Capital Contribution**

The total consideration payable by each of Siu Thai, Prodigy, Chang Ying, Guang Tong and Springhaven will be payable by way of cash within one year from the date of the Shareholders' Agreement.

Within fifteen business days after the signing of the Shareholders' Agreement, each of Siu Thai, Prodigy, Chang Ying, Guang Tong and Springhaven will make the first contribution towards the capital of the JV Company to subscribe for 40%, 35%, 8%, 5% and 12% of the share capital of the JV Company for a cash consideration of RMB2,000,000, RMB1,750,000, RMB400,000, RMB250,000 and RMB600,000.

In relation to the payment of the remaining consideration by the JV Shareholders, the JV Board will determine a schedule, which should be within one year from the date of the Shareholders Agreement, based on the capital requirements of the JV Group. Each of the JV Shareholders shall subscribe for the remaining JV Shares and pay the remaining consideration accordingly.

### **Transfer of Equity Interest**

Transfer of equity interest of the JV Company will be subject to customary first right of refusal by the other existing JV Shareholders.

### **Board Composition and Function**

Unless otherwise agreed in writing by the JV Shareholders, the JV Board shall have five members, among which three will be appointed by Siu Thai and two will be appointed by Prodigy in accordance with the articles of association of the JV Company. The proportion of JV Directors appointed by Siu Thai and Prodigy shall in any case remain as 3:2 unless otherwise agreed in writing by the JV Shareholders. The chairman of the JV Board will be nominated by Siu Thai, who will also be the authorized representative of the JV Company, whilst the vice chairman of the JV Board will be appointed by Prodigy.

Matters will be resolved by the JV Board by two-thirds majority of votes of all JV Directors. Each JV Directors will have one vote.

The board structure of the HK Holdco will be identical to that of the JV Company.

### **Dividend Distribution**

The JV Shareholders will take all steps to ensure that each company of the JV Group will distribute by way of dividends in each of its financial year its profit available for distribution, provided that its cash requirements for its daily operation are well satisfied. The amount of the dividend to be distributed shall be determined by the JV Shareholders by written resolutions from time to time, which shall be no less than 30% of the profits available for distribution of each company of the JV Group for the financial year.

## **Termination**

The Shareholders' Agreement may be terminated at any time by the written agreement of the JV Shareholders. The Shareholders' Agreement also provides for terminated under certain circumstances in the event of default by the JV Shareholder.

## **Other Terms**

In order for the Project Company to conduct its business in relation to processing, manufacturing and distribution of dome integration houses as intended, subject to compliance with all applicable rules of the Listing Rules by the Company, after signing of the Shareholders' Agreement, the JV Company will enter into a technical service and licensing agreement with Refine Investments, the sole shareholder of Prodigy, pursuant to which Refine Investments will provide technical services to the JV Group including licensing of key patents required for conducting of relevant business by the JV Group.

## **REASONS FOR AND BENEFITS OF THE SHAREHOLDERS' AGREEMENT**

Dome integration house is a kind of house which is capable of repeated use, and is manufactured through industrialized production process. It has the characteristics of fast production, high quality and low cost. The Directors consider that dome integration house has huge market potential.

One of the JV Shareholders, Prodigy, is primarily engaged in the research and development, and manufacturing of dome integration house and the relevant parts. It possesses cutting-edge technology in relation to modularization of dome integration houses, as well as packaged solutions for the development and construction of campsite for travelling resorts. By entering into the Shareholders' Agreement, the Group could leverage on the cutting-edge technology and substantial industry experience of Prodigy, as well the capital resources and management expertise of other JV Shareholders to develop dome integration house and expand its market share in relevant industry, and to generate sustainable economic benefits for the JV Shareholders thus benefit the Group.

It is currently intended that the JV Group will lease the production plant, certain equipment and office facilities of the Rizhao branch of Shandong Shengli Steel Pipe Co., Ltd. (山東勝利鋼管有限公司), a principal operating subsidiary of the Company, which is currently being used for the production of Cold-formed Section Steel in order to effectively utilize the resources of the Company and reduce the initial capital expenditure of the JV Company.

For the above reasons, the Board considers that it is in the interests of the Group to invest in the JV Company on the terms of the Shareholders' Agreement.

The Directors, including the independent non-executive Directors, consider that the Shareholders' Agreement has been entered into on normal commercial terms and the terms of the Shareholders' Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

## **INFORMATION ON THE JV SHAREHOLDERS**

Siu Thai is a limited liability company incorporated under the laws of BVI and a wholly-owned subsidiary of the Company.

Prodigy is a limited liability company incorporated under the laws of Hong Kong. It is primarily engaged in research & development, manufacturing of dome integration house and the relevant parts.

Chang Ying is a limited liability company incorporated under the laws of BVI. It is primarily engaged in investment holding.

Guang Tong is a limited liability company incorporated under the laws of BVI. It is primarily engaged in investment holding.

Springhaven is a limited liability company incorporated under the laws of BVI. It is primarily engaged in investment holding.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Prodigy, Chang Ying, Guang Tong and Springhaven and each of their respective shareholders and ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

## **INFORMATION ON THE GROUP**

The Group is one of the largest oil and gas SSAW Pipe manufacturers in the PRC. The Group focuses on the designing, manufacturing, value-added processing and servicing of SSAW Pipes that are used to transport crude oil, refined petroleum products, natural gas and other related products.

## **LISTING RULES IMPLICATIONS**

As certain applicable percentage ratios of the Shareholders' Agreement are more than 5% but are less than 25%, the transaction under the Shareholders' Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors of the Company
“BVI”	British Virgin Islands
“Chang Ying”	Chang Ying Holdings Limited (長盈控股有限公司), a limited liability company incorporated under the laws of the BVI
“Company”	Shengli Oil & Gas Pipe Holdings Limited (勝利油氣管道控股有限公司), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“dome integration house”	a kind of house which is capable of repeated use, and is manufactured through industrialized production process. It has the characteristics of fast production, high quality and low cost

“Group”	the Company and its subsidiaries
“Guang Tong”	Guang Tong Investments Limited (光彤投資有限公司), a limited liability company incorporated under the laws of the BVI
“HK Board”	the board of directors of the HK Holdco
“HK Directors”	The directors of the HK Holdco
“HK Holdco”	a limited liability company to be incorporated under the laws of Hong Kong by the JV Company pursuant to the Shareholders’ Agreement
“JV Board”	the board of directors of the JV Company
“JV Company”	Dome Integration Housing Industrial Holding Co., Ltd., a limited liabilities company incorporated under the laws of the BVI on 5 September 2012
“JV Directors”	the directors of the JV Company
“JV Group”	means the group of companies including the JV Company, the HK Holdco and the Project Company
“JV Shareholders”	means the shareholders of the JV Company, including Siu Thai, Prodigy, Chang Ying, Guang Tong and Springhaven
“JV Shares”	ordinary shares with par value of US\$1 each in the capital of the JV Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Prodigy”	Prodigy International Limited (普帝龍國際有限公司), a limited liability company incorporated under the laws of Hong Kong
“Project Company”	a limited liability company to be incorporated under the laws of the PRC or any other suitable jurisdiction by the HK Holdco pursuant to the Shareholders’ Agreement
“Refine Investments”	Refine Investments Limited, a limited liability company incorporated under the laws of the BVI and the sole shareholder of Prodigy
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated 17 September 2012 entered into between the JV Shareholders and the JV Company
“Siu Thai”	Siu Thai Holdings Limited (兆泰控股有限公司), a limited liability company incorporated under the laws of the BVI
“Springhaven”	Springhaven Holdings Limited, a limited liability company incorporated under the laws of BVI

“SSAW Pipe”	spiral submerged arc welded pipe, a type of spirally welded steel pipe produced by using the double-sided submerged arc welding method
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States Dollars
“%”	percent

By order of the Board  
**SHENGLI OIL & GAS PIPE HOLDINGS LIMITED**  
**Han Aizhi**  
*Executive Director and Vice President*

Zibo, Shandong, 17 September 2012

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

*Executive Directors:*                    *Mr. Zhang Bizhuang, Mr. Jiang Yong, Mr. Liu Yaohua, Ms. Han Aizhi and Mr. Song Xichen*

*Non-executive Director:*            *Mr. Yan Tangfeng*

*Independent non-executive Directors:*    *Mr. Guo Changyu and Mr. Leung Ming Shu*