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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 IN RELATION TO ASSIGNMENT AND NOVATION OF BLOSSOM TIME CONTRACTS**

### **DEED OF ASSIGNMENT AND NOVATION**

The Board announces that on 3 March 2022 (after trading hours of the Stock Exchange), Gold Apple, a direct wholly-owned subsidiary of the Company, and KBS entered into the Deed of Assignment and Novation, pursuant to which KBS agrees to assume all the obligations and liabilities of Gold Apple under the Contracts and Gold Apple agrees to assign all its right, benefits and interests in the Contracts to KBS.

### **IMPLICATIONS OF THE LISTING RULES**

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Deed of Assignment and Novation and the transactions contemplated thereunder is more than 5%, but all the percentage ratios are less than 25%, the entering into of the Deed of Assignment and Novation constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements under the Listing Rules.

Reference is made to the announcements of the Company dated 29 March 2015, 29 September 2015, 27 May 2016, 24 January 2017, 28 April 2017, 22 December 2017, 28 September 2018, 30 September 2021 and 22 November 2021 regarding the proposed acquisition of 56% of the issued share capital of Blossom Time at the Consideration of US\$32.0 million (“**Previous Announcements**”). Unless otherwise specified in this announcement, capitalized terms used in this announcement shall have the same meaning as defined in the Previous Announcements.

## **DEED OF ASSIGNMENT AND NOVATION**

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The principle terms of the Deed of Assignment and Novation are summarized below.

Date: 3 March 2022

Parties: (i) Gold Apple, a direct wholly-owned subsidiary of the Company  
(ii) KBS

(Gold Apple and KBS together, the “**Parties**”)

KBS is a private partnership company incorporated in Singapore with limited liability and principally engaged in the investment and management of alternative investment assets and related funds. As at the date of this announcement, KBS is ultimately owned as to 95% and 5% by Ong Mei Can and Eve Khor Ley Cheng, respectively. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of KBS and its ultimate beneficial owners is an Independent Third Party.

The Parties irrevocably and unconditionally agree that, among other things, with effect from the date on which the Deed of Assignment and Novation takes effect:

- (a) Gold Apple novates, assigns and transfers all of its rights and obligations under and relating to the Contracts to KBS so that KBS will stand in place of Gold Apple for the purposes of each of the Contracts;
- (b) KBS undertakes to assume in favour of the Transferor all obligations (if any) owed by Gold Apple to the Transferor pursuant to the Contracts and be bounded by all the terms therein;
- (c) Gold Apple undertakes to provide all reasonable assistance in all litigation, legal proceedings, actions, claims and/or demands (if any) against the Transferor at the cost of KBS; and

- (d) KBS accepts the novation and assignment and undertakes to Gold Apple to perform, assume and comply with outstanding obligations and liabilities of Gold Apple, and to be bound by the Contracts in every way as if KBS was an original party to the Contracts in place of Gold Apple.

In consideration of Gold Apple agreeing to enter into the Deed of Assignment and Novation, KBS shall pay a sum of US\$640,000 to Gold Apple by way of cheque or telegraphic transfer within ten (10) days after the date of the Deed of Assignment and Novation. The Deed of Assignment and Novation shall only become effective if the cheque has been cleared or Gold Apple has received the full sum aforementioned.

Gold Apple further acknowledges and agrees that KBS shall not be required to pay, in whole or in part, (i) the Deposits to Gold Apple if KBS receives refunds of the same (or any part thereof) from the Transferor; (ii) any compensation, damages or other indemnified amount to Gold Apple if KBS receives any of the same from the Transferor. And in the event that Gold Apple receives any refunds of the Deposits or payment of compensation, damages or other indemnified amount in connection of the Contracts and the transactions contemplated thereunder from the Transferor, it will promptly pay, or procure the same to be paid, to KBS in whole.

#### **FINANCIAL IMPACT OF THE DEED OF ASSIGNMENT AND NOVATION**

As at 30 June 2021, the Deposit paid for the acquisition was approximately RMB200 million. Based on the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2021, an impairment loss in the amount of approximately RMB196 million has been recognised in respect of the Deposit, largely equivalent to the difference between the consideration received from KBS and the book value of the Deposits as at 30 June 2021. Accordingly, upon completion, the Group is expected to record only minimal gain or loss (if any) as a result of the Deed of Assignment and Novation. The above financial impact is shown for illustrative purpose only and Shareholders shall note that the actual impairment loss as well as the gain or loss as a result of the Deed of Assignment and Novation to be recognised in the consolidated financial statements of the Group is subject to review and final audit by the auditors of the Company.

#### **REASONS FOR AND BENEFIT OF THE ENTERING INTO OF THE DEED OF ASSIGNMENT AND NOVATION**

As stated in the Company's announcements dated 30 September 2021 and 22 November 2021, the possibility of meeting the Closing Conditions of the Acquisition is very remote as:

- the Group is unable to reach the Transferor since his arrest by the Police on 29 August 2021;
- Legal Advice suggests that, whilst the arrest of and criminal investigation on the Transferor per se will not affect the ability of the Transferor to fulfill the Closing Conditions and complete the Acquisition through a designated person pursuant to the relevant laws and regulations, in practice, access to the Transferor would be significantly restricted and the possibility of appointing a designated person is very remote; and

- Without entering into a supplemental agreement between the Transferee and the Transferor, the existing Closing Conditions will not be able to be fulfilled due to the change of the mining area.

The Group has further instructed its Vietnam legal advisor to conduct an asset search on the Transferor and her related parties/persons. Based on the report of the Vietnam legal advisor and public information, the assets held by the Transferor amounted to approximately US\$1.7 million. Further, based on the advice of the Vietnam legal advisor, in the event that recovery actions have to be taken against the Transferor's related parties/persons, there must be concrete evidence demonstrating that assets had been transferred to them by the Transferor in an illegal manner.

In this regard, the Group has doubt as to whether a supplemental agreement could be entered into with the Transferee or her designated person and the possibility of the return of the Deposits paid to the Transferor going forward from the Transferor or her related parties/persons, given further investigation will need to be conducted to ascertain whether evidence could be obtained in relation to any illegal transfer of assets from the Transferor to her related parties/persons. Even if such evidence is obtained, the Group, having consulted its Vietnam legal advisor, understand that the legal process may take multiple years and the recoverable value may be limited.

The entering into of the Deed of Assignment and Novation will enable the Group to recoup part of its losses through the consideration paid by KBS, which represents approximately 38% of the assets held by the Transferor without going through lengthy legal proceedings in Vietnam, which may divert the resources (both in terms of financial and human resources) of the Group.

Having considered the above, the Directors believe that the terms of Deed of Assignment and Novation are fair and reasonable and in the interests of the shareholders as a whole.

## **IMPLICATION OF THE LISTING RULES**

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Deed of Assignment and Novation and the transactions contemplated thereunder is more than 5%, but all the percentage ratios are less than 25%, the entering into of the Deed of Assignment and Novation constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements under the Listing Rules.

## DEFINITIONS

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

“Assignment”	has the meaning ascribed to it under the section headed “Deed of Assignment and Novation” in this announcement
“Board”	the board of Directors of the Company
“Company”	Shengli Oil & Gas Pipe Holdings Limited (勝利油氣管道控股有限公司) (stock code: 1080), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Contracts”	all agreements, contracts and engagements entered into by Gold Apple with the Transferor in regard of the Acquisition as at the date of the Deed of Assignment and Novation
“Deed of Assignment And Novation”	the deed of assignment and novation dated 3 March 2022 and entered into between Gold Apple and KBS in relation to the Assignment and the Novation
“Deposits”	the deposits received by the Transferor under the Contracts in the amount of approximately US\$31,100,000 as at the date of the Deed of Assignment and Novation
“Directors”	the directors of the Company
“Gold Apple”	Gold Apple Holdings Limited, a company incorporated in the British Virgin Islands, being a direct wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“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)
“KBS”	KBS Capital Partner(s) Pte. Ltd., a private partnership company incorporated in Singapore with limited liability and principally engaged in the investment and management of alternative investment assets and related funds

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	Main Board operated by the Stock Exchange
“Novation”	has the meaning ascribed to it under the section headed “Deed of Assignment and Novation” in this announcement
“PRC”	the People’s Republic of China which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“RMB”	Renminbi yuan(s), the lawful currency of PRC
“US\$”	United States dollar(s), the lawful currency of the United States
“%”	per cent

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

Zibo, Shandong, 3 March 2022

*As at the date of this announcement, the Directors 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*