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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS LOGISTIC SERVICES FRAMEWORK AGREEMENT

Reference is made to the announcement published by the Company on 3 September 2020 in relation to, among other things, the 2020 Logistic Services Framework Agreement dated 3 September 2020 entered into between Hunan Shengli, a non wholly-owned subsidiary of the Company, and Hunan Xianggang. The 2020 Logistic Services Framework Agreement has expired on 31 August 2021.

The Board hereby announces that on 31 August 2021, Hunan Shengli entered into the 2021 Logistic Services Framework Agreement with Hunan Xianggang, pursuant to which the parties agreed to renew the 2020 Logistic Services Framework Agreement for a term commencing from 31 August 2021 to 31 August 2022.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Hunan Xianggang is owned as to 45% by Xiangtan Steel and 55% by Hunan Xianggang Trade Union, an Independent Third Party. As Xiangtan Steel is the substantial shareholder of Hunan Shengli, a non wholly-owned subsidiary of the Company, Hunan Xianggang, being an associate of Xiangtan Steel pursuant to the Listing Rules, is a connected person of the Company at the subsidiary level. Accordingly, the transactions under the 2021 Logistic Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios in respect of the proposed Annual Caps under the 2021 Logistic Services Framework Agreement Transactions is more than 0.1% but less than 5%, the transactions contemplated under the 2021 Logistic Services Framework Agreement are subject to the reporting, announcement and annual review requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement published by the Company on 3 September 2020 in relation to, among other things, the 2020 Logistic Services Framework Agreement dated 3 September 2020 entered into between Hunan Shengli, a non wholly-owned subsidiary of the Company, and Hunan Xianggang. The 2020 Logistic Services Framework Agreement has expired on 31 August 2021.

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PRINCIPAL TERMS OF THE 2021 LOGISTIC SERVICES FRAMEWORK AGREEMENT

Date: 31 August 2021

Parties: i. Hunan Shengli; and
ii. Hunan Xianggang

Subject: Pursuant to the 2021 Logistic Services Framework Agreement, Hunan Xianggang agreed to provide in-plant goods transport and external goods transport services for steel pipes to Hunan Shengli for the period from 31 August 2021 to 31 August 2022.

The Parties will enter into individual agreement for each transaction setting out specific terms of the services including, among others, service fees, settlement method and payment arrangement. Such terms will be consistent with the terms of the 2021 Logistic Services Framework Agreement.

Term: The 2021 Logistic Services Framework Agreement shall take effect from 31 August 2021 and shall expire on 31 August 2022.

Pricing basis: With reference to the market condition as of August 2021 and the quotations obtained by the Company from Independent Third Party logistic service providers in the market, under the 2021 Logistic Services Framework Agreement, the service fees of the in-plant goods transport services to be provided will be in the range of RMB350 to RMB2,516 per shift of eight hours, with a maximum amount of RMB1.3 million during the term of 2021 Logistic Services Framework Agreement, depending on, among others, the type of machinery required in order to provide the logistic services; whereas the service fees of the external goods transport services from the factories to be provided will be in the range of RMB50 to RMB1,000 per ton, with a maximum amount of RMB4 million during the term of 2021 Logistic Services Framework Agreement, depending on, among others, the volume and specification of the goods, the price of domestic oil and the length to the destination.

Payment terms: Payment of service fees will be made according to the payment terms of the individual agreement for each transaction between the parties, which will be determined by arm's length negotiations between the parties with reference to, among others, the amount of service fees payable. The services fee can be settled by way of cash, bank's acceptance bill or bank draft.

HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

During the term of the 2020 Logistic Services Framework Agreement, being from 3 September 2020 to 31 August 2021, the aggregate fee paid/payable by the Company was approximately RMB2,644,292.

The proposed annual caps pursuant to the 2021 Logistic Services Framework Agreement for the years ending 31 December 2021 and 2022 are set out below:

Annual caps under the:	For the year ended/ending 31 December		
	2020⁽¹⁾	2021⁽¹⁾	2022⁽¹⁾
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(thousand)</i>	<i>(thousand)</i>	<i>(thousand)</i>
The 2020 Logistic Services Framework Agreement	2,550	2,750 ⁽²⁾	–
The 2021 Logistic Services Framework Agreement	–	2,550 ⁽³⁾	2,750
Total	2,550	5,300	2,750

Notes:

- 1) The figures are rounded to the nearest thousand.
- 2) Representing the annual cap for the transactions contemplated under the 2020 Logistic Services Framework Agreement for the period from 1 January 2021 to 31 August 2021.
- 3) Representing the Annual Cap for the transactions contemplated under the 2021 Logistic Services Framework Agreement for the period from 31 August 2021 to 31 December 2021.

BASIS OF ANNUAL CAPS

The proposed Annual Caps under the 2021 Logistic Services Framework Agreement are determined with reference to, among others, the historical transaction amounts of the in-plant goods transport and external goods transport services provided by Hunan Xianggang to Hunan Shengli and the expected demand of in-plant goods transport and external goods transport services by Hunan Shengli under the 2021 Logistic Services Framework Agreement.

In order to determine the exact service fees for each transaction and to ensure that the service fees charged by Hunan Xianggang would not be less favourable than the service fees charged by the Independent Third Parties logistic service providers in the market for similar services, Hunan Shengli will obtain price quotations from at least three Independent Third Party logistic service providers in the market selected from the list of logistic services logistic service providers maintained by Hunan Shengli to determine the service fees of the in-plant goods transport and external goods transport services. These potential logistic service providers will be selected based on Hunan Shengli's experience from previous transactions which they believe will be able to supply the required logistic services at competitive service fees and terms. Hunan Shengli will not proceed to decide the choice of logistic service providers and agree the service fees without first obtaining any price quotations from Independent Third Party logistic service providers. All these fees and terms will be finally assessed and approved by the internal management of Hunan Shengli to ensure that the actual service fees payable will be in accordance with the pricing policy under the 2021 Logistic Services Framework Agreement and that the transaction will be conducted on normal commercial terms and will not be prejudicial to the interests of the Group and the Shareholders as a whole.

REASONS FOR AND BENEFIT OF THE 2021 LOGISTIC SERVICES FRAMEWORK AGREEMENT

By entering into the 2021 Logistic Services Framework Agreement, it is expected that Hunan Shengli will be able to maintain stable and effective delivery channel for its products so as to better control its transportation costs. Further, Hunan Xianggang has a proven track record as demonstrated from its previous transactions with the Hunan Shengli. It has been able to provide its services in a timely and satisfactory manner. In particular, the Group has not failed to meet the relevant customers' requirements on products delivery with the goods transport services provided by Hunan Xianggang. Accordingly, the Directors consider that it is in the interest of the Group and the Shareholders as a whole to enter into the 2021 Logistic Services Framework Agreement with Hunan Xianggang.

The Directors (including all the independent non-executive Directors) had approved the 2021 Logistic Services Framework Agreement and confirmed that it is on normal commercial terms and entered into in the ordinary and usual course of business of the Group and its terms are fair and reasonable and in the interest of the Company and Shareholders as a whole.

As none of the Director has a material interest in the transactions contemplated under the 2021 Logistic Services Framework Agreement, none of the Directors has abstained from voting on the relevant board resolutions approving the 2021 Logistic Services Framework Agreement.

INFORMATION ABOUT THE GROUP AND HUNAN SHENGLI

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

Hunan Shengli is a company established in the PRC with limited liability. It is an indirectly non wholly-owned subsidiary of the Company, which is owned as to 43.1% by Xiangtan Steel and 56.9% by 山東勝利鋼管有限公司 (Shandong Shengli Steel Pipe Co., Ltd.*), being a wholly-owned subsidiary of the Company as at the date of this announcement.

INFORMATION ABOUT HUNAN XIANGGANG

Hunan Xianggang is a company established in the PRC with limited liability and is primarily engaged in providing logistics and goods transport services including cargo loading and cargo transportation. As at the date of this announcement, Hunan Xianggang is owned as to 45% by Xiangtan Steel and 55% by an Independent Third Party, which is the Hunan Xianggang Trade Union.

As at the date of this announcement, according to the information provided by Xiangtan Steel, Xiangtan Steel is a wholly-owned subsidiary of Valin Steel. Valin Steel is primarily engaged in, among others, the investment of steel industry related projects, including but not limited to the development of metallurgical resources and the melting and processing of blackstone metal. Valin Steel is owned as to 90.21% by Valin Holdings, which is primarily engaged in, among others, property and project investment, mergers and acquisitions of state-owned assets, as well as assets operation and management; and 9.79% by Hunan Development, which is primarily engaged in, among others, investing and financing infrastructure and energy supply projects. Valin Holdings and Hunan Development are both ultimately wholly owned by the Hunan SASAC, which acts as a contributor of state-owned assets on behalf of the Hunan Provincial People's Government and is primarily responsible for monitoring and managing the state-owned operating assets in Hunan Province. Save as disclosed above, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Hunan SASAC is an Independent Third Party of the Company such that it is not a connected person of the Company.

As at the date of this announcement, according to the information provided by Hunan Xianggang, Hunan Xianggang Trade Union is an employee organisation with 102 members who are all employees of Hunan Xianggang, and is primarily engaged in, among others, the promotion of welfare of the employees of Hunan Xianggang. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, all of the members of Hunan Xianggang Trade Union are independent third parties of the Company such that none of them is a connected person of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Hunan Xianggang is owned as to 45% by Xiangtan Steel and 55% by Hunan Xianggang Trade Union, an Independent Third Party. As Xiangtan Steel is the substantial shareholder of Hunan Shengli, a non wholly-owned subsidiary of the Company, Hunan Xianggang, being an associate of Xiangtan Steel pursuant to the Listing Rules, is a connected person of the Company at the subsidiary level. Accordingly, the transactions under the 2021 Logistic Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios in respect of the proposed Annual Caps under the 2021 Logistic Services Framework Agreement Transactions is more than 0.1% but less than 5%, the transactions contemplated under the 2021 Logistic Services Framework Agreement are subject to the reporting, announcement and annual review requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Annual Caps”	the annual maximum aggregate value for the transactions contemplated under the 2021 Logistic Services Framework Agreement for the years ending 31 December 2021 and 2022, respectively
“associate(s)”	has the same meaning ascribed thereto in the Listing Rules
“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), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange of Hong Kong Limited
“connected person”	has the same meaning ascribed thereto in the Listing Rules
“continuing connected transaction(s)”	has the same meaning ascribed thereto in the Listing Rules

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hunan Development”	湖南發展資產管理集團有限公司 (Hunan Development Investment Group Co., Ltd.*) a company established in the PRC with limited liability which primarily engaged in, among others, investing and financing infrastructure and energy supply projects, and is ultimately wholly owned by Hunan SASAC
“Hunan SASAC”	湖南省人民政府國有資產監督管理委員會 (The State-owned Assets Supervision and Administration Commission of Hunan Provincial People’s Government*) acts as a contributor of state-owned assets on behalf of the Hunan Provincial People’s Government and is primarily responsible for monitoring and managing the state-owned operating assets in Hunan Province
“Hunan Shengli”	湖南勝利湘鋼鋼管有限公司 (Hunan Shengli Xianggang SteelPipe Co., Ltd.*), a company established in the PRC with limited liability, and is owned as to 43.1% by Xiangtan Steel and 56.9% by 山東勝利鋼管有限公司 (Shandong Shengli Steel Tube Co., Ltd.*), which is a wholly-owned subsidiary of the Company
“Hunan Xianggang”	湖南湘鋼洪盛物流有限公司 (Hunan Xianggang Hongsheng Logistics Co., Ltd.*), a company established in the PRC with limited liability, and is owned as to 45% by Xiangtan Steel and 55% by the Hunan Xianggang Trade Union
“Hunan Xianggang Trade Union”	湖南湘鋼洪盛物流有限公司工會委員會 (The Trade Union Committee of Hunan Xianggang*), an employee organisation with 102 members who are all employees of Hunan Xianggang
“Independent Third Party(ies)”	person(s) or company(ies) which is not a connected person of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“PRC”	The People’s Republic of China, which for the purpose of this announcement shall exclude the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“subsidiary(ies)”	has the same meaning ascribed thereto in the Listing Rules
“substantial shareholder(s)”	has the same meaning ascribed thereto in the Listing Rules
“Valin Holdings”	華菱控股集團有限公司 (Valin Holdings Group Co., Ltd.*), a company established in the PRC with limited liability which primarily engaged in, among others, property and project investment, mergers and acquisitions of state-owned assets, as well as assets operation and management, and is ultimately wholly owned by the Hunan SASAC
“Valin Steel”	湖南華菱鋼鐵集團有限責任公司 (Hunan Valin Iron & Steel Group Co., Ltd.*), a company established in the PRC with limited liability which primarily engaged in, among others, the investment of steel industry related projects, including but not limited to the development of metallurgical resources and the melting and processing of blackstone metal, and is owned as to 90.21% by Valin Holdings, and 9.79% by Hunan Development
“Xiangtan Steel”	湘潭鋼鐵集團有限公司 (Xiangtan Iron & Steel Group Co., Ltd.*), a company established in the PRC with limited liability, and is a wholly-owned subsidiary of Valin Steel
“2020 Logistic Services Framework Agreement”	the framework service agreement entered into between Hunan Shengli and Hunan Xianggang dated 3 September 2020, pursuant to which Hunan Xianggang agreed to provide in-plant goods transport and external goods transport services to Hunan Shengli for a term commencing from 3 September 2020 to 31 August 2021

“2021 Logistic Services Framework Agreement” the framework service agreement entered into between Hunan Shengli and Hunan Xianggang dated 31 August 2021, pursuant to which the parties agree to, among others, renew the 2020 Logistic Services Framework Agreement for a term commencing from 31 August 2021 to 31 August 2022

“%” 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, 31 August 2021

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, Mr. Huang Guang

Independent non-executive Directors: Mr. Chen Junzhu and 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.