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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)

ISSUE OF SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 24 December 2020 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 600,000,000 new Shares at the Subscription Price of HK\$0.1 per Subscription Share, subject to a Lock-up Period of six months.

The 600,000,000 Subscription Shares to be allotted and issued under the Subscription Agreement represent approximately 18.3% of the existing issued share capital of the Company; and approximately 15.5% of the issued share capital of the Company as enlarged by the allotment and issue of Subscription Shares (assuming that there will not be any change in the issued share capital of the Company from the date of this announcement to the Completion Date).

The Subscription Shares will be allotted and issued under the General Mandate. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Subject to Completion, the gross proceeds from the Subscription will be HK\$60,000,000 and the net proceeds from the Subscription (after deduction of the relevant expenses) will be approximately HK\$59,500,000. It is expected that such net proceeds from the Subscription will be utilised as general working capital of the Group.

Shareholders and potential investors should note that the Completion is subject to fulfillment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

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THE SUBSCRIPTION AGREEMENT

Date: 24 December 2020

Issuer: The Company

Subscriber: LM Global Asset LP

The Subscriber is a limited partnership registered under the laws of the British Virgin Islands and its principal business is investment holding. The Subscriber is managed by its general partner LM Asset Management Corp, a company incorporated under the laws of the British Virgin Islands with a principal business of equity and debt investments, which in turn is owned as to approximately 70% by Mr. Huang Guang (“**Mr. Huang**”) and 30% by Magic Group (HK) International Holdings Co., Limited (“**Magic Group**”). Magic Group is a company incorporated under the laws of Hong Kong and is primarily engaged in investments in the fields of new technology, new energy and new raw materials. Magic Group is wholly owned by Mr. Zhang Bangcheng (張榜成) (“**Mr. Zhang**”).

The limited partners of the Subscriber are LMT International Corporation Limited (“**LMT International**”), Mr. Zhang, Mr. Huang and Ying Feng Trading Ltd. (“**Ying Feng Trading**”), respectively holding approximately 49.18%, 24.59%, 18.03% and 8.2% of the partnership interest in the Subscriber.

LMT International is a company incorporated under the laws of Hong Kong and is an investment vehicle wholly-owned by Shandong Private Joint Investment Holding Co., Ltd.* (山東民營聯合投資控股股份有限公司) (“**Shandong Joint Investment**”). Shandong Joint Investment is a company established under the laws of the PRC and is principally engaged in investment holding. It is owned as to approximately 28% and 20% by China Wanda Group Co., Ltd.* (萬達控股集團有限公司) (“**Wanda**”) and Shandong Dongming Petrochemical Group Co., Ltd.* (山東東明石化集團有限公司) (“**Dongming Petrochemical**”), respectively. The remaining shareholders of Shandong Joint Investment consist of 12 other PRC companies, each holding not more than 12% equity interest in Shandong Joint Investment.

Wanda is a company established under the laws of the PRC and is mainly engaged in port logistics, petrochemicals, rubber tires and international trade. Wanda is owned as to approximately 40.68% by Mr. Shang Jiyong (尚吉永), with its remaining shareholders consisting of 14 other PRC individuals each holding not more than 8% equity interest in Wanda.

Dongming Petrochemical is a company established under the laws of the PRC, and is mainly engaged in, among others, crude oil processing, petrochemical, chlor-alkali chemical and refined oil (gas) sales. It is owned as to approximately 87.25% and 12.75% by Shandong Hongliyuan Co., Ltd* (山東宏利源股份有限公司) (“**Shandong Hongliyuan**”) and Shandong Dongming Petrochemical Plant* (山東省東明縣石油化工廠) (“**Shandong Dongming Plant**”), respectively. Shandong Hongliyuan is a company established under the laws of the PRC and is principally engaged in investment management in the fields of petrochemical, electricity and port industries. It is owned as to 49.59% by Mr. Li Xiangping (李湘平) with its remaining shareholders consisting of six other PRC individuals each holding not more than 16% equity interest in Shandong Hongliyuan. On the other hand, Shandong Dongming Plant is a company established under the laws of the PRC, and is principally engaged in the production and sales of chemical raw materials and chemical products. It is wholly owned by the State-owned Assets Administration of Dongming County, Shandong Province* (山東省東明縣國有資產管理局).

Ying Feng Trading is a company established under the laws of the British Virgin Islands and is principally engaged in the trading of bulk commodities such as copper, nickel, sorghum and barley. It is wholly-owned by Mr. Liu Zhao (劉昭).

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Subscriber and LM Asset Management Corp, and their respective ultimate beneficial owners are Independent Third Parties, and are not parties acting in concert (within the meaning ascribed to it under the Takeovers Code) with any Director, chief executive or substantial shareholder of the Company and its subsidiaries or any of their respective associates.

Subject to Completion, the Subscriber will become a substantial shareholder of the Company.

Subscription Shares

Subject to the fulfillment of the conditions precedent set out below, the Subscriber shall subscribe 600,000,000 Subscription Shares.

The 600,000,000 Subscription Shares to be allotted and issued under the Subscription Agreement represent approximately 18.3% of the existing issued share capital of the Company; and approximately 15.5% of the issued share capital of the Company as enlarged by the allotment and issue of Subscription Shares (assuming that there will not be any change in the issued share capital of the Company from the date of this announcement to the Completion Date).

The aggregate nominal value of the Subscription Shares (with a par value of HK\$0.10 each) is HK\$60,000,000.

Subscription Price

The Subscription Price of HK\$0.1 per Subscription Share represents:

- (a) a premium of approximately 3.09% to the closing price of HK\$0.097 per Share as quoted on the Stock Exchange on 24 December 2020, being the date of the Subscription Agreement; and
- (b) a discount of approximately 0.6% to the average closing price of HK\$0.1006 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 23 December 2020, being the trading day immediately preceding the date of the Subscription Agreement.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among others, the prevailing market price of the Shares and the capital requirement and the prospect of the Group.

The Directors consider that the Subscription is on normal commercial terms and the terms and conditions of the Subscription Agreement (including the Subscription Price and relevant expenses of the Subscription) are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

The Subscriber shall pay to the Company the aggregate Subscription Price for the Subscription Shares upon Completion.

Subject to Completion, the gross proceeds from the Subscription will be HK\$60,000,000. The net proceeds from the Subscription, after deducting the relevant expenses, are estimated to be approximately HK\$59,500,000 and the net issue price per Subscription Share is approximately HK\$0.099.

Conditions Precedent

Completion shall be subject to the following conditions being fulfilled:

- (a) the Listing Committee of the Stock Exchange having granted the approval for the listing of and permission to deal in the Subscription Shares; and
- (b) the Company having obtained all necessary approvals from all relevant regulatory authorities.

If any of the above conditions are not fulfilled on or before 7 January 2021 (or such other date as the Company and the Subscriber may agree), the Subscription Agreement will terminate and all rights, obligations and liabilities of the parties thereto shall cease and terminate and none of the parties shall have any claim against the other save for any antecedent breaches of the provisions thereof.

Completion

Completion shall take place on or before the fifth business days from the date on which all the conditions precedent set out above having been fulfilled, which is expected to be no later than 21 days after the date of the Subscription Agreement.

Lock-up Undertakings

The Subscriber had undertaken that without the prior written consent of the Company, it will not whether directly or indirectly, at any time during the Lock-up Period dispose of any of the Subscription Shares or procure its shareholder to dispose its interests in the Subscriber or any interest in any company or entity holding any of the Subscription Shares.

Ranking

The Subscription Shares will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Termination

The Subscriber is entitled to terminate the Subscription Agreement by notice in writing to the Company upon the occurrence of any of the force majeure events set out in the Subscription Agreement at any time between the date of the Subscription Agreement and the Completion Date.

The Directors are not aware of the occurrence of any of such events as at the date of this announcement.

General Mandate

The Subscription Shares will be allotted and issued under the General Mandate, which as at the date of this announcement, has not been used since granted. Further, there will be no change in control of the Company upon Completion. Accordingly, the General Mandate is sufficient for the issue and allotment of the Subscription Shares and the Subscription is not subject to the Shareholders' approval.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Possible appointment and resignation of Directors

After Completion, the Company may appoint two representatives of the Subscriber to be an executive Director and a non-executive Director of the Company, respectively, subject to the requirements under the Listing Rules, the applicable laws and regulations and the articles of association of the Company, and provided that the Board has such vacancies. As at the date of this announcement, no binding agreement has been reached between the Company and the Subscriber on the appointment of Directors as described above. The Company will publish an announcement in respect of the appointment and resignation of Directors in accordance with the Listing Rules as and when appropriate.

USE OF PROCEEDS AND REASON FOR AND BENEFIT OF THE SUBSCRIPTIONS

The Group is principally engaged in designing, manufacturing, anti-corrosion processing and servicing of pipes used for the transport of crude oil, refined petroleum products, natural gas and other related products.

The Directors consider that the Subscription not only broaden the Shareholders' base of the Company but it also represents a good opportunity to raise additional funds for the Group at a reasonable cost so as to strengthen the financial position and liquidity of the Group. As a result, the Directors consider that the Subscription is in the interest of the Company and the Shareholders as a whole.

The gross proceeds of the Subscription will be approximately HK\$60,000,000. The net proceeds of the Subscription (after deduction of relevant expenses) will be approximately HK\$59,500,000. Upon Completion, it is expected that such net proceeds from the Subscription will be utilised as general working capital of the Group.

However, the proceeds from the Subscription may not satisfy the upcoming financial needs of the Group in full if there is any change of the Group's current circumstances or business plan or if there shall arise any potential business opportunities. Therefore, the Board does not rule out the possibility that the Company will conduct further debt/equity fund raising exercises when suitable fund raising opportunities, including but not limited to financing from the then Shareholders or other third-party sources, arise in order to support future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PERIOD

The Company has not conducted any equity fund raising activity during the past twelve months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 3,274,365,600 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after Completion (assuming that the Subscription is fully completed and there is no other change in the shareholding structure of the Company before the allotment and issue of the Subscription Shares under the Subscription Agreement) are as follows:

	As at the date of publication of this announcement		Immediately after Completion	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mefun Group Limited (<i>Note 1</i>)	620,000,000	18.935%	620,000,000	16.003%
Mr. Zhang Bizhuang (executive Director) and his associates (<i>Note 2</i>)	232,930,224	7.114%	232,930,224	6.012%
Mr. Wang Kunxian (executive Director) and his associates (<i>Note 3</i>)	26,708,760	0.816%	26,708,760	0.689%
Ms. Han Aizhi (executive Director) and her associates (<i>Note 4</i>)	26,708,760	0.816%	26,708,760	0.689%
Mr. Song Xichen (executive Director) and his associates (<i>Note 5</i>)	26,708,760	0.816%	26,708,760	0.689%
The Subscriber (<i>Note 6</i>)	–	–	600,000,000	15.486%
Public Shareholders	2,341,309,096	71.504%	2,341,309,096	60.431%
	<u>3,274,365,600</u>	<u>100%</u>	<u>3,874,365,600</u>	<u>100%</u>

Notes:

- (1) Mefun Group Limited will remain as the single largest Shareholder before and upon Completion. Mefun Group Limited is owned as to 65.97% and 34.03% by Mr. Wei Jun and HZJ Holding Limited, respectively. Mr. Wei Jun is the chairman and non-executive Director of the Company. HZJ Holding Limited is owned as to 59% and 12% by Ms. Chen Haili and Mr. Yang Zhihui, respectively. Mr. Yang Zhihui is the spouse of Ms. Chen Haili. In light of the aforesaid, Mr. Wei Jun, HZJ Holding Limited, Ms. Chen Haili and Mr. Yang Zhihui are deemed to be interested in the shares of the Company held by Mefun Group Limited by virtue of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”).
- (2) These comprise (i) 79,800,000 Shares owned by Mr. Zhang Bizhuang, as beneficial owner, who is an executive Director and the chief executive officer of the Company; and (ii) 153,130,224 Shares held by Goldmics Investments Limited, which is owned as to 40% by Mr. Zhang Bizhuang, and 60% by Ms. Du Jichun, the spouse of Mr. Zhang Bizhuang.
- (3) These comprise 26,708,760 Shares held by Glad Sharp Limited, which is wholly-owned by Mr. Wang Kunxian, an executive Director.
- (4) These comprise 26,708,760 Shares held by Crownova Limited, which is wholly-owned by Ms. Han Aizhi, an executive Director.
- (5) These comprise 26,708,760 Shares held by Winfun Investments Limited, which is owned as to 50% by Mr. Song Xichen, an executive Director, and 50% by Ms. Xu Li, the spouse of Mr. Song Xichen.
- (6) The Subscriber is a limited partnership registered under the laws of the British Virgin Islands, the general partner of which is LM Asset Management Corp, which in turn is owned as to approximately 70% by Mr. Huang. In addition, LMT International is a limited partner of the Subscriber and is interested in approximately 49.18% of the partnership interest in the Subscriber. Therefore, each of Mr. Huang, LM Asset Management Corp and LMT International is deemed to be interested in the 600,000,000 Shares held by the Subscriber pursuant to the SFO.

Shareholders and potential investors should note that the Completion is subject to fulfillment of the conditions precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.

“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 main board of the Stock Exchange
“Completion”	the completion of the Subscription
“Completion Date”	the date on which the Completion shall take place and such day shall be within five business days after the satisfaction of the conditions precedent as set out in the Subscription Agreement (or such other date as may be agreed by the Company and the Subscriber in writing), which is expected to be no later than 21 days after the date of the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 19 June 2020, among other things, to allot, issue and deal with up to 654,873,120 Shares, being 20% of the then issued share capital of the Company as at the date of the annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	person(s) and company(ies) which are not connected persons of the Company
“Listing Rules”	the Rules governing the Listing of Securities on the Stock Exchange, as may be amended or supplemented from time to time
“Lock-up Period”	the period of six months following the Completion Date
“PRC” or “People’s Republic of China”	the People’s Republic of China, and for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	LM Global Asset LP, being the subscriber of the Subscription Shares under the Subscription Agreement
“Subscription”	the subscriptions of 600,000,000 Subscription Shares at the Subscription Price pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 24 December 2020 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.1 per Subscription Share
“Subscription Shares”	an aggregate of 600,000,000 new Shares to be allotted and issued upon Completion
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong, as may be amended or supplemented from time to time
“%”	per cent

By order of the Board
Shengli Oil & Gas Pipe Holdings Limited
Zhang Bizhuang
Executive Director and Chief Executive Office

Zibo, Shandong, 24 December 2020

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

<i>Executive Directors:</i>	<i>Mr. Zhang Bizhuang, Mr. Wang Kunxian, Ms. Han Aizhi and Mr. Song Xichen</i>
<i>Non-executive Director:</i>	<i>Mr. Wei Jun and Mr. Jiang Yong</i>
<i>Independent non-executive Directors:</i>	<i>Mr. Qiao Jianmin, Mr. Chen Junzhu and Mr. Wu Geng</i>
* <i>For identification purpose only</i>	