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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)

CONTINUING CONNECTED TRANSACTION FRAMEWORK SALES AGREEMENT

FRAMEWORK SALES AGREEMENT

On 30 June 2021, Hunan Shengli (an indirectly non wholly-owned subsidiary of the Company) entered into the Framework Sales Agreement with Hunan Xiangtan, pursuant to which Hunan Shengli agreed to supply certain types of welded pipes to Hunan Xiangtan. The term of the Framework Sales Agreement is from 1 July 2021 to 31 December 2021.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Hunan Xiangtan is a wholly-owned subsidiary of Hunan Valin, which is owned as to 48.64%, 12.06% and 0.73% by Valin Steel, Lianyuan Steel and Hunan Hengyang, respectively, and Lianyuan Steel and Hunan Hengyang are both wholly-owned by Valin Steel. Hunan Valin is therefore a subsidiary of Valin Steel, which in turn is the holder of the entire equity in Xiangtan Steel, a substantial shareholder of Hunan Shengli. Hunan Shengli is an indirectly non wholly-owned subsidiary of the Company. Therefore, Hunan Xiangtan is an associate of Xiangtan Steel pursuant to the Listing Rules, and is a connected person of the Company at the subsidiary level. Accordingly, the transaction under the Framework Sales Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that (i) one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Annual Cap under the Framework Sales Agreement is more than 1% but less than 5%; and (ii) the transaction contemplated under the Framework Sales Agreement is a continuing connected transaction of the Company at the subsidiary level and the Board (including all the independent non-executive Directors) had approved the transaction and confirmed that such transaction is on normal commercial terms and conducted in the usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Framework Sales Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements, but are exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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PRINCIPAL TERMS OF THE FRAMEWORK SALES AGREEMENT

- Date: 30 June 2021
- Parties: i. Hunan Shengli (an indirectly non wholly-owned subsidiary of the Company); and
ii. Hunan Xiangtan.
- Subject: Pursuant to the Framework Sales Agreement, Hunan Shengli agreed to sell to Hunan Xiangtan certain types of welded pipes, including submerged-arc helical welded pipes (“**SAWH pipes**”), submerged-arc longitudinal welded pipes (“**SAWL pipes**”) and seamless welded pipes, of up to 1,000 tons.
- The name, quantity, product specifications and terms of delivery of the welded pipes ordered by Hunan Xiangtan are to be set out in sales agreements entered into between the parties from time to time.
- Term: The Framework Sales Agreement shall take effect from 1 July 2021 and expire on 31 December 2021.
- Pricing basis: With reference to the market condition as of June 2021, the price range of the welded pipes to be supplied under the Framework Sales Agreement is between RMB5,500 to RMB8,000 per ton.
- Pursuant to the Framework Sales Agreement, the price of the welded pipes shall be fixed with reference to the prevailing market price at the time when the transaction occurs. The settlement sum will be determined according to the price fixed at the time when the transaction occurs.

Payment terms: Pursuant to the Framework Sales Agreement, Hunan Shengli shall issue invoice to Hunan Xiangtan upon Hunan Xiangtan checking and accepting the delivery of the welded pipes, and Hunan Xiangtan shall settle payment in full within 2 months upon the receipt of such invoice by way of acceptance bill.

Whilst it is not uncommon for purchaser to settle payment for welded pipes only after checking and accepting the welded pipes, the payment arrangement pursuant to the Framework Sales Agreement is in line with the market practice and is no less favorable than those offered to Independent Third Parties. Further, while the Company has a long standing business relationship with Hunan Xiangtan and Hunan Xiangtan has a constant on-time payment history, the Directors consider that such payment arrangement is not prejudicial to the interests of the Group and the Shareholders as a whole.

Shall Hunan Xiangtan defaults in payment, the Group shall also be entitled to terminate the Framework Sales Agreement and claim against Hunan Xiangtan for the defaulted amount and appropriate damages under the relevant PRC laws.

HISTORICAL TRANSACTION AMOUNTS

The historical transaction amounts between the Group and Hunan Xiangtan for the supply of certain welded pipes for the two years ended 31 December 2020 and the five months ended 31 May 2021 were approximately RMB1.62 million, RMB0.79 million and RMB1.82 million respectively.

PROPOSED ANNUAL CAP UNDER THE FRAMEWORK SALES AGREEMENT

The following sets forth the Group's Annual Cap under the Framework Sales Agreement:

	From 1 July 2021 to 31 December 2021 <i>RMB</i>
Annual Cap	8,000,000

BASIS OF THE ANNUAL CAP

The proposed Annual Cap under the Framework Sales Agreement is determined with reference to, among others, (i) the historical transaction amounts for the sales of certain welded pipes to Hunan Xiangtan mainly for maintenance of its production factories for the two years ended 31 December 2020 and the five months ended 31 May 2021; (ii) the prevailing market prices of products of comparable nature and scale; and (iii) the anticipated increase of demand of welded pipes by Hunan Xiangtan given the adverse impact of COVID-19 is expected to ease in 2021 and Hunan Xiangtan is carrying out reconstructing the pipelines of its production factories.

As mentioned above, the price of the welded pipes under the Framework Sales Agreement will be determined with reference to the prevailing market price. This market price is not a fixed price but is in a range of prices. To determine the exact selling price for each transaction and to ensure that the price charged to and the terms offered to Hunan Xiangtan would be no more favorable than those price and terms offered to Independent Third Parties, Hunan Shengli will conduct a comprehensive survey on the demand of welded pipes, market competition and the average market price of similar products in the same industry to determine the prices of the required quality and specification of the welded pipes. All these prices and terms will be finally assessed and approved by the internal management of Hunan Shengli to ensure that the actual purchase prices of the welded pipes will be in accordance with the pricing policy under the Framework Sales Agreements and comparable to the terms offered by the Group to Independent Third Parties 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 FRAMEWORK SALES AGREEMENT

Hunan Xiangtan is in the process of reconstructing the pipelines of its production factories and is in need of welded pipes. Hunan Shengli was awarded the supply of welded pipes contract by Hunan Xiangtan through open tender.

The Directors consider that the sales to Hunan Xiangtan, being a wholly-owned subsidiary of a company listed on the Shenzhen Stock Exchange (i.e. Hunan Valin), is expected to make positive contribution to the Group's operating revenue. Further, the entering into of the Framework Sales Agreement will enhance the mutual and complementary reliance between the Company and Hunan Xiangtan in demand and supply and thereby strengthen the Company's resilience to the market volatility as well as the long-term development of the Company. Accordingly, the Directors consider that it is in the interest of the Group and the Shareholders as a whole to enter into the Framework Sales Agreement.

The Directors (including all the independent non-executive Directors) had approved the Framework Sales 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 Shareholders as a whole.

As no Director has a material interest in the transaction under the Framework Sales Agreement, none of the Directors has abstained from voting on the relevant board resolution approving the Framework Sales 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 (including Hunan Shengli) 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 XIANGTAN

Hunan Xiangtan is a company established in the PRC with limited liability and is primarily engaged in manufacturing of steel plates, wires, rods and metal products. Hunan Xiangtan is a wholly-owned subsidiary of Hunan Valin. Hunan Valin is a company listed on the Shenzhen Stock Exchange, and is owned as to approximately 48.64%, 12.06% and 0.73% by Valin Steel, Lianyuan Steel and Hunan Hengyang respectively, and both Lianyuan Steel and Hunan Hengyang are wholly-owned subsidiaries of Valin Steel. Hunan Valin is therefore a subsidiary of Valin Steel. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the other shareholders of Hunan Valin are all Independent Third Parties.

Valin Steel is ultimately wholly-owned by the State-owned Assets Supervision and Administration Commission of Hunan Provincial People's Government* (湖南省人民政府國有資產監督管理委員會) ("**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, the PRC. 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.

IMPLICATIONS UNDER THE LISTING RULES

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DEFINITIONS

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

“Annual Cap”	the annual maximum aggregate value for the transaction contemplated under the Framework Sales Agreement from 1 July 2021 to 31 December 2021
“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
“Framework Sales Agreement”	the framework sales agreement entered into between Hunan Shengli and Hunan Xiangtan dated 30 June 2021, pursuant to which Hunan Shengli agreed to supply certain welded pipes to Hunan Xiangtan
“Group”	the Company and its subsidiaries
“Hunan Hengyang”	湖南衡陽鋼管(集團)有限公司 (Hunan Hengyang Steel Pipe (Group) Co., Ltd.*), a company established in the PRC with limited liability, and is a wholly-owned subsidiary of Valin Steel
“Hunan Shengli”	湖南勝利湘鋼鋼管有限公司 (Hunan Shengli Xianggang Steel Pipe 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 Xiangtan”	湖南華菱湘潭鋼鐵有限公司 (Hunan Valin Xiangtan Iron & Steel Co., Ltd.*), a company established in the PRC with limited liability, and is a wholly-owned subsidiary of Hunan Valin
“Hunan Valin”	湖南華菱鋼鐵股份有限公司 (Hunan Valin Steel Co., Ltd.*), a company established in the PRC with limited liability, and is owned as to 48.64%, 12.06% and 0.73% by Valin Steel, Lianyuan Steel and Hunan Hengyang, respectively
“Independent Third Party(ies)”	person(s) or company(ies) which is not a connected person of the Company
“Lianyuan Steel”	漣源鋼鐵集團有限公司 (Lianyuan Iron & Steel Group Co., Ltd.*), a company established in the PRC with limited liability, and is a wholly-owned subsidiary of Valin Steel
“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 Steel”	湖南華菱鋼鐵集團有限責任公司 (Hunan ValinIron & Steel Group Co., Ltd.*), a company established in the PRC with limited liability
“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
“%”	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, 30 June 2021

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

This announcement, for which the Directors 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.