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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 TRANSACTIONS LOGISTIC SERVICES FRAMEWORK AGREEMENT**

### **FRAMEWORK LOGISTIC AGREEMENT**

The Board announces that on 3 September 2020, Hunan Shengli, a non wholly-owned subsidiary of the Company, entered into the Logistic Services Framework Agreement with Hunan Xianggang, pursuant to which Hunan Xianggang agreed to provide in-plant logistics and goods transport services to Hunan Shengli. The term of the Logistic Services Framework Agreement is from 3 September 2020 to 31 August 2021.

### **IMPLICATIONS UNDER THE LISTING RULES**

Hunan Xianggang is owned as to 45% by Xiangtan Steel and 55% by 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 Logistic Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Logistic Services Framework Agreement and the Previous Logistic Services Agreements (which constituted *de minimis* transaction pursuant to Rule 14A.76 (1) of the Listing Rules) entered into between Hunan Shengli and Hunan Xianggang are similar in nature and were entered into or completed within a 12-month period from the date of the Logistic Services Framework Agreement. The transactions under the Logistic Services Framework Agreement and the Previous Logistic Services Agreements therefore form a series of transactions which should be treated as if they were one transaction pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

Since each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Transactions is more than 0.1% but less than 5%, the transactions contemplated under the 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 Rule 14A.76 (2) of the Listing Rules.

## **PRINCIPAL TERMS OF THE LOGISTIC SERVICES FRAMEWORK AGREEMENT**

Date: 3 September 2020

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

Subject: Pursuant to the Logistic Services Framework Agreement, Hunan Xianggang agreed to provide in-plant logistics and goods transport services to Hunan Shengli for the period from 3 September 2020 to 31 August 2021.

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 Logistic Services Framework Agreement.

Term: The Logistic Services Framework Agreement shall take effect from 3 September 2020 and shall expire on 31 August 2021.

Pricing basis: With reference to the market condition as of September 2020, under the Logistic Services Framework Agreement, the service fees of the in-plant logistics services to be provided will be in the range of RMB350 to RMB2,516 per shift of eight hours, depending on, among others, the type of machinery required; whereas the service fees of the goods transport services to be provided will be in the range of RMB120 to RMB750 per ton, depending on, among others, the volume and configuration of the goods and 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.

## HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

The following sets forth the Group's historical transaction amounts and total annual caps in relation to the Transactions:

Annual caps and historical transaction amounts under the:	For the year ending 31 December		
	2019 <i>(Note)</i>	2020 <i>(Note)</i>	2021 <i>(Note)</i>
	<i>RMB</i> <i>(thousand)</i>	<i>RMB</i> <i>(thousand)</i>	<i>RMB</i> <i>(thousand)</i>
Previous Logistic Services Agreements	429	1,808	–
Logistic Services Framework Agreement	–	2,550	2,750
Total	<u>429</u>	<u>4,358</u>	<u>2,750</u>

*Note:* The figures are rounded to the nearest thousand.

## BASIS OF CAPS

The proposed Annual Caps under the Logistic Services Framework Agreement are determined with reference to, among others, the historical transaction amounts of the in-plant logistics and goods transport services provided by Hunan Xianggang to Hunan Shengli and the expected demand of in-plant logistics and goods transport services by Hunan Shengli under the 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 in the market for similar services, Hunan Shengli will obtain price quotations from at least three independent third party suppliers in the market selected from the list of logistic services suppliers maintained by Hunan Shengli to determine the service fees of the in-plant logistics and goods transport services. These potential suppliers 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 supplier(s) and agree the service fees without first obtaining any fee quotations from independent third party supplier(s). 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 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 LOGISTIC SERVICES FRAMEWORK AGREEMENT**

By entering into the Logistic Services Framework Agreement, it is expected that Hunan Shengli will be able to enhance its in-plant logistics arrangement and establish a 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 Logistic Services Framework Agreement with Hunan Xianggang.

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

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

## **INFORMATION ABOUT THE GROUP**

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.

## **INFORMATION ABOUT HUNAN XIANGGANG**

Hunan Xianggang is a company established in the PRC and is primarily engaged in providing logistics and goods transport services including cargo loading and cargo transportation.

## **IMPLICATIONS UNDER THE LISTING RULES**

Hunan Xianggang is owned as to 45% by Xiangtan Steel and 55% by 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 Logistic Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Logistic Services Framework Agreement and the Previous Logistic Services Agreements (which constituted *de minimis* transaction pursuant to Rule 14A.76(1) of the Listing Rules) entered into between Hunan Shengli and Hunan Xianggang, are similar in nature and were entered into within a 12-month period from the date of the Logistic Services Framework Agreement. The transactions under the Logistic Services Framework Agreement and the Previous Logistic Services Agreements therefore form a series of transactions which should be treated as if they were one transaction pursuant to Rules 14A.81 and 14A.82 of the Listing Rules.

Since each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Transactions is more than 0.1% but less than 5%, the transactions contemplated under the 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 Rule 14A.76(2) 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 Logistic Services Framework Agreement for the years ending 31 December 2020 and 2021, 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
“Framework Logistic Agreement”	the framework purchase agreement entered into between Hunan Shengli and Hunan Xianggang dated 3 September 2020, pursuant to which Hunan Xianggang agreed to provide in-plant logistics and goods transport services to Hunan Shengli.
“Group”	the Company and its subsidiaries
“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 an independent third party

“independent third party(ies)”	has the meaning ascribed thereto under the Listing Rules
“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
“Previous Logistics Services Agreements”	similar transactions between Hunan Shengli and Hunan Xianggang which were entered into or completed in the 12-month period from the date of the Logistic Services Framework Agreement, namely, (i) the logistic services agreement dated 10 August 2019 for the transportation of goods to other cities in Hunan, PRC; (ii) the logistic services agreement dated 19 September 2019 for the transportation of goods to Guizhou, PRC; (iii) the logistic services agreement dated 19 September 2019 for the transportation of goods to other cities in Hunan, PRC; (iv) the logistic services agreement dated 11 February 2020 for in-plant crane lifting; (v) the logistic services agreement dated 11 February 2020 for in-plant goods transport and loading; (vi) the logistic services agreement dated 28 May 2020 for the transportation of goods to other cities in Hunan, PRC; (vii) the logistic services agreement dated 28 May 2020 for the transportation of goods to Guizhou, PRC; (viii) the logistic services agreement dated 28 May 2020 for the transportation of goods to Guangdong, PRC; (ix) the logistic services agreement dated 28 May 2020 for the transportation of goods to Guizhou, PRC; and (x) the logistic services agreement dated 1 July 2020 for in-plant goods transport and loading (the transactions set out in (i) to (x) of this definition, whether alone or aggregated with each other, constituted <i>de minimis</i> transaction pursuant to Rule 14A.76(1) of the Listing Rules)
“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
“Transactions”	the transactions under the Logistic Services Framework Agreement and the Previous Purchase Agreements

“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 湖南華菱鋼鐵集團有限公司 (Hunan Valin Iron & Steel Group Co., Ltd.\*)

“%” 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 Chief Executive Officer*

Zibo, Shandong, 3 September 2020

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. Song Xichen

*Non-executive Director:* Mr. Wei Jun and Mr. Jiang Yong

*Independent non-executive Directors:* Mr. Qiao Jianmin Mr. Chen Junzhu and Mr. Wu Geng

*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.*