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SINOPEC KANTONS HOLDINGS LIMITED

(中石化冠德控股有限公司)*

(incorporated in Bermuda with limited liability)

(Stock Code: 934)

CONNECTED TRANSACTION

**CONSTRUCTION PROJECT RELATING TO MABIANZHOU JETTY FACILITIES
UPGRADE AND TRANSFORMATION FOR NAPHTHA UNLOADING**

The Board announces that on 9 November 2023, Huade Petrochemical and Sinopec Guangzhou Engineering entered into the Construction Agreement in relation to the Mabianzhou jetty facilities upgrade and transformation for naphtha unloading construction project, pursuant to which Sinopec Guangzhou Engineering agreed to provide related construction services to Huade Petrochemical.

As at the date of this announcement, Huade Petrochemical is an indirect wholly-owned subsidiary of the Company. The Company is non-wholly owned by SKI, which holds approximately 60.33% of the issued share capital of the Company. On the same day, Sinopec Guangzhou Engineering is an indirect subsidiary of Sinopec Group Company. As at the date of this announcement, Sinopec Group Company is the controlling shareholder of Sinopec Corp., which indirectly held the entire issued share capital of SKI. Sinopec Group Company is therefore an indirect controlling Shareholder. As Sinopec Guangzhou Engineering is an indirect subsidiary of Sinopec Group Company, it is an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, pursuant to Rule 14A.07 of the Listing Rules, and the entering into of the Construction Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Construction Project exceeds 0.1% but all are less than 5%, the Construction Project is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval and circular requirements under Chapter 14A of the Listing Rules.

* For identification purposes only

INTRODUCTION

The Board announces that on 9 November 2023, Huade Petrochemical and Sinopec Guangzhou Engineering entered into the Construction Agreement, principal terms of which are set out below.

THE CONSTRUCTION AGREEMENT

Date

9 November 2023

Parties

- (i) Huade Petrochemical, as purchaser; and
- (ii) Sinopec Guangzhou Engineering, as a service provider.

Services to be provided

Pursuant to the Construction Agreement, Sinopec Guangzhou Engineering agreed to provide construction services to Huade Petrochemical relating to the Mabianzhou jetty facilities upgrade and transformation, including but not limited to the construction drawing design of the project, procurement, construction works, commissioning, conducting trial operation and testing of the relevant systems, and remedying any defects thereof, etc.

Term

Pursuant to the Construction Agreement, Sinopec Guangzhou Engineering agreed to complete the Construction Project on or before 30 June 2024, or such another date as may be agreed between Huade Petrochemical and Sinopec Guangzhou Engineering.

Consideration

The total consideration under the Construction Agreement payable by Huade Petrochemical funded by internal resources of the Group is approximately RMB27.39 million (inclusive of all taxes) and is categorized as follows.

	Amount
Fees	(RMB, inclusive of all taxes)
(i) Design fees	520,000
(ii) Procurement fees	10,500,000
(iii) Construction and technical service fees	16,370,000
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Total	27,390,000
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Pricing Basis and Payment Terms

Pursuant to the policies of the Group, to ensure that the tender prices and terms are on normal commercial terms, supplier for the Construction Project was selected by way of open tender. Huade Petrochemical has solicited bids from at least three suppliers through tender procedures in compliance with the relevant local regulations. In determining the successful bidder in an open tender, Huade Petrochemical took into account factors including: (a) terms of the tender proposals submitted by the bidders, including tender prices, discount rates (if applicable) and provision of performance guarantees; (b) backgrounds, qualifications, experience, reputation and financial position of the bidders; (c) track records and historical business relationships between Huade Petrochemical and the bidders; and (d) Huade Petrochemical's financial budget. Upon assessment, Sinopec Guangzhou Engineering was awarded the Construction Agreement.

Pursuant to the Construction Agreement, the successful bid price submitted by Sinopec Guangzhou Engineering during the course of the open tender shall be the final service fees of the Construction Project. The service fees shall be paid in the following manner:

(i) Design:

- First instalment: 40% of the drawing design fees shall be paid to Sinopec Guangzhou Engineering upon the completion of construction drawing design, or payable in accordance with the work progress
- Second instalment: 50% of the drawing design fees shall be paid to Sinopec Guangzhou Engineering upon obtaining approval from relevant authorities, or payable in accordance with the work progress
- Final instalment: the remaining 10% shall be paid to Sinopec Guangzhou Engineering upon completion of as-built drawing filing and inspection as well as acceptance of the Construction Project

(ii) Procurement:

- First instalment: 40% of the equipment and material procurement fees shall be paid to Sinopec Guangzhou Engineering upon signing the construction contract
- Second instalment: 40% of the equipment and material procurement fees shall be paid to Sinopec Guangzhou Engineering upon the delivery of equipment and materials
- Final instalment: 20% of the equipment and material procurement fees shall be paid to Sinopec Guangzhou Engineering upon the completion of installation and passing the trial operation testing by relevant parties

(iii) Construction and technical service:

- First instalment: 95% of construction and technical service fees shall be paid upon the delivery of the Construction Project
- Second instalment: 2% of construction and technical service fees shall be paid upon the completion of settlement procedures
- Final instalment: the remaining 3% shall be retained as warranty for quality assurance which shall be payable after passing of all relevant post-completion quality inspection and testing and expiry of defect liability period

REASONS FOR AND BENEFITS OF THE TRANSACTION

In order to make better use of Huade Petrochemical's abundant capacity of the terminal for unloading and for its business expansion, Huade Petrochemical intends to upgrade and transform Mabianzhou jetty facilities to provide naphtha unloading service to third parties. The Construction Project will ensure safe, steady and efficient operation as well as boosting the business volume of Huade Petrochemical, which will as a result further improve its profitability and economic efficiency.

In view of the experience, expertise and professional personnel of Sinopec Guangzhou Engineering, the engagement of Sinopec Guangzhou Engineering in the Construction Project will help ensure the timely execution and delivery of the Construction Project as well as safeguard the quality of the Construction Project.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Huade Petrochemical is an indirect wholly-owned subsidiary of the Company. The Company is non-wholly owned by SKI, which holds approximately 60.33% of the issued share capital of the Company. On the same day, Sinopec Guangzhou Engineering is an indirect subsidiary of Sinopec Group Company. As at the date of this announcement, Sinopec Group Company is the controlling shareholder of Sinopec Corp., which indirectly held the entire issued share capital of SKI. Sinopec Group Company is therefore an indirect controlling Shareholder. As Sinopec Guangzhou Engineering is an indirect subsidiary of Sinopec Group Company, it is an associate of SKI and a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, pursuant to Rule 14A.07 of the Listing Rules, and the entering into of the Construction Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Construction Project exceeds 0.1% but all are less than 5%, the Construction Project is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval and circular requirements under Chapter 14A of the Listing Rules.

Mr. Chen Yaohuan, Mr. Zhong Fuliang, Mr. Mo Zhenglin, Mr. Yang Yanfei, Mr. Zou Wenzhi and Mr. Ren Jiajun, the executive Directors, are considered to have a material interest in the transactions contemplated under the Construction Agreement due to their other executive posts in Sinopec Group other than the Group. To avoid any potential conflict of interests, they have abstained from voting on the board resolutions for approving the Construction Agreement and the transactions contemplated thereunder.

THE DIRECTORS' VIEWS

The Directors (including the independent non-executive Directors but excluding the Directors who have abstained from voting) are of the view that the Construction Agreement is on normal commercial terms and entered into in the ordinary and usual course of business of the Group on arm's length basis, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the factors stated in this announcement.

INFORMATION OF HUADE PETROCHEMICAL, THE GROUP AND SINOPEC GUANGZHOU ENGINEERING

Huade Petrochemical, a wholly-owned subsidiary of the Company, was incorporated under the laws of the PRC with limited liability. It is principally engaged in the provision of crude oil transportation, unloading, storage and other jetty services for oil tankers.

The Company, a non-wholly owned subsidiary of Sinopec Corp., was an exempted company incorporated in Bermuda with limited liability and the Shares are listed on the Stock Exchange. The principal activities of the Group include, among others, the operation of crude oil and oil products terminals and their ancillary facilities and the provision of logistics services including storage, logistics, transportation and terminal services on a global basis.

Sinopec Guangzhou Engineering is principally engaged in technology development, construction design and EPCC contracting in respect of petrochemical engineering industry. As at the date of this announcement, Sinopec Guangzhou Engineering is an indirect subsidiary of Sinopec Group Company. Sinopec Group Company is the holding company of Sinopec Corp., which indirectly wholly owns SKI.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Sinopec Kantons Holdings Limited (中石化冠德控股有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Construction Agreement”	the construction agreement dated 9 November 2023 entered into between Huade Petrochemical and Sinopec Guangzhou Engineering in relation to the upgrade and transformation of Mabianzhou jetty facilities
“Construction Project”	the project in relation to the upgrade and transformation on Mabianzhou jetty facilities contemplated under the Construction Agreement to support provision of naphtha unloading services
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Huade Petrochemical”	惠州市大亞灣華德石化有限公司 (Huade Petrochemical Co., Ltd. [#] in Huizhou Daya Bay), a company incorporated under the laws of the PRC with limited liability, and a wholly-owned subsidiary of the Company

“PRC”	the People’s Republic of China, but for the purposes of this announcement and for geographical reference purposes (unless otherwise indicated) excludes Taiwan, Macau and Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of the Company with a nominal value of HK\$0.10 each
“Shareholder(s)”	the holder(s) of the Share(s)
“Sinopec Corp.”	China Petroleum & Chemical Corporation (中國石油化工股份有限公司) (stock code: 386), a joint stock limited liability company incorporated in the PRC, the shares of which are listed on the stock exchanges of Hong Kong and Shanghai, the indirect controlling shareholder of the Company (and hence Huade Petrochemical) holding approximately 60.33% of the issued share capital of the Company
“Sinopec Engineering (Group)”	Sinopec Engineering (Group) Co., Ltd. (中石化煉化工程(集團)股份有限公司), a company established in the PRC and its H shares is listed on the Main Board of the Stock Exchange (Stock Code: 2386)
“Sinopec Group”	Sinopec Group Company, its subsidiaries and its associated companies and affiliates, including the Group
“Sinopec Group Company”	China Petrochemical Corporation (中國石油化工集團有限公司, formerly known as 中國石油化工總公司), an enterprise established under the laws of the PRC, being the controlling shareholder of Sinopec Corp. and the ultimate controlling Shareholder
“Sinopec Guangzhou Engineering”	Sinopec Guangzhou Engineering Co., Ltd. (中石化廣州工程有限公司), a company incorporated under the laws of the PRC with limited liability, and a wholly-owned subsidiary of Sinopec Engineering (Group)
“SKI”	Sinopec Kantons International Limited, a company incorporated with limited liability in the British Virgin Islands, being the controlling Shareholder of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“subsidiary”

has the meaning ascribed to it in the Listing Rules

The English translation of the names of companies incorporated or established in the PRC referred to in this announcement is for reference only. The official names of those companies are in Chinese.

By order of the Board
Sinopec Kantons Holdings Limited
Chen Yaohuan
Chairman

Hong Kong, 9 November 2023

As at the date of this announcement, the Board comprises the following:

Executive Directors:

Mr. Chen Yaohuan (*Chairman*)

Mr. Zhong Fuliang

Mr. Mo Zhenglin

Mr. Yang Yanfei

Mr. Zou Wenzhi

Mr. Ren Jiajun

Mr. Sang Jinghua (*General Manager*)

Independent non-executive Directors:

Ms. Tam Wai Chu, Maria

Mr. Fong Chung, Mark

Dr. Wong Yau Kar, David

Ms. Wong Pui Sze, Priscilla