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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)**

### **CONTINUING CONNECTED TRANSACTIONS NATURAL GAS TRANSMISSION SERVICES AND NATURAL GAS PIPELINE TECHNICAL SERVICES**

On 30 August 2018, Yu Ji Pipeline Company, an indirect wholly-owned subsidiary of the Company, and Sinopec Changcheng Gas entered into the Changcheng Natural Gas Transmission Services Framework Master Agreement, pursuant to which Yu Ji Pipeline Company agreed to provide the Natural Gas Transmission Services to Sinopec Changcheng Gas Group.

On the same day, Yu Ji Pipeline Company and Sinopec Pipeline Services Company entered into the Natural Gas Pipeline Technical Services Framework Master Agreement, pursuant to which Sinopec Pipeline Services Group agreed to provide the Natural Gas Pipeline Technical Services to Yu Ji Pipeline Company.

As at the date of this announcement, Sinopec Changcheng Gas is an indirect wholly-owned subsidiary of Sinopec Corp., the controlling shareholder of the Company, whereas Sinopec Pipeline Services Company is a wholly-owned subsidiary of Sinopec Oilfield Service Corporation, which is a subsidiary of Sinopec Group Company, the ultimate controlling shareholder of the Company. Accordingly, each of Sinopec Changcheng Gas and Sinopec Pipeline Services Company is a connected person of the Company and the transactions contemplated under the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of the Annual Caps for the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement are more than 0.1% but less than 5%, the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that on 30 August 2018, Yu Ji Pipeline Company entered into the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement with Sinopec Changcheng Gas and Sinopec Pipeline Services Company respectively, principal terms of which are set out below.

## **THE CHANGCHENG NATURAL GAS TRANSMISSION SERVICES FRAMEWORK MASTER AGREEMENT**

### **Date**

30 August 2018

### **Parties**

- (i) Yu Ji Pipeline Company, as service provider; and
- (ii) Sinopec Changcheng Gas (for itself and on behalf of Sinopec Changcheng Gas Group), as purchaser.

### **Services to be provided**

Pursuant to the Changcheng Natural Gas Transmission Services Framework Master Agreement, Yu Ji Pipeline Company agreed to provide the Natural Gas Transmission Services to Sinopec Changcheng Gas Group by transmitting natural gas through the Yulin-Jinan Pipeline owned by Yu Ji Pipeline Company to the natural gas delivery point(s) designated by Sinopec Changcheng Gas Group.

### **Term**

From 30 August 2018 to 31 December 2019 (both days inclusive).

### **Pricing Basis and Payment Terms**

Under the Changcheng Natural Gas Transmission Services Framework Master Agreement, the pipeline transmission fee will be determined in accordance with the Notice of the National Development and Reform Commission on Ratification of Cross-Provincial Natural Gas Pipeline Transmission Fee (National Development and Reform Commission Pricing Rule [2017] No.1581)(《國家發展改革委關於核定天然氣跨省管道運輸價格的通知》(發改價格規[2017]1581號)), which shall be adjusted subject to adjustment(s) as announced by the State or the relevant local government authorities from time to time.

Yu Ji Pipeline Company will grant a credit period of 30 to 90 days from the date of billing to Sinopec Changcheng Gas Group.

## **Annual Caps**

The Annual Caps for the period from 30 August 2018 to 31 December 2018 and for the year ending 31 December 2019 in respect of the Natural Gas Transmission Services under the Changcheng Natural Gas Transmission Services Framework Master Agreement are RMB8,000,000 (equivalent to HK\$9,120,000) and RMB15,000,000 (equivalent to HK\$17,100,000) respectively.

In arriving at the aforesaid Annual Caps, the following factors have been taken into account:

- (a) the State-prescribed prices; and
- (b) the estimated demand of the Natural Gas Transmission Services as suggested by Sinopec Changcheng Gas based on its business scale and operation plan.

## **THE NATURAL GAS PIPELINE TECHNICAL SERVICES FRAMEWORK MASTER AGREEMENT**

### **Date**

30 August 2018

### **Parties**

- (i) Yu Ji Pipeline Company, as purchaser; and
- (ii) Sinopec Pipeline Services Company (for itself and on behalf of Sinopec Pipeline Services Group), as service provider.

### **Services to be provided**

Pursuant to the Natural Gas Pipeline Technical Services Framework Master Agreement, Sinopec Pipeline Services Group agreed to provide the Natural Gas Pipeline Technical Services, including external inspection of pipeline and water conservation construction works and related services for pipeline, to Yu Ji Pipeline Company.

### **Term**

From 30 August 2018 to 31 December 2019 (both days inclusive).

### **Pricing Basis and Payment Terms**

Under the Natural Gas Pipeline Technical Services Framework Master Agreement, the service fees related to external inspection of pipeline will be determined by way of open tender by bidding the total service fee for the services to be provided; and the service fees related to water conservation construction

works and related services for pipeline will be determined by way of open tender by bidding the discount rate (Z) to the reference service fee (A) set out in the price list of Yu Ji Pipeline Company for the services to be provided, i.e. service fee =  $A \times (1-Z\%)$ .

Pursuant to the policies of the Group, to ensure that the tender prices and terms are on normal commercial terms, suppliers for the Natural Gas Pipeline Technical Services are selected by way of open tender. Yu Ji Pipeline Company generally solicits bids from at least three suppliers through tender procedures in compliance with the relevant local regulations. The service fees under the Natural Gas Pipeline Technical Services Framework Master Agreement will be determined based on the successful bid price or discount rate (as the case may be) submitted by Sinopec Pipeline Services Group in an open tender. In considering the successful bidder in an open tender, Yu Ji Pipeline Company will take into account factors including (without limitation):

- (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 Yu Ji Pipeline Company and the bidders; and
- (d) Yu Ji Pipeline Company's financial budget, including the price list of Yu Ji Pipeline Company for water conservation construction works and related services for pipeline.

Yu Ji Pipeline Company will have a credit period of 1 year from the date of billing.

### **Annual Caps**

The Annual Caps for the period from 30 August 2018 to 31 December 2018 and for the year ending 31 December 2019 in respect of the Natural Gas Pipeline Technical Services under the Natural Gas Pipeline Technical Services Framework Master Agreement are RMB10,000,000 (equivalent to HK\$11,400,000) and RMB8,000,000 (equivalent to HK\$9,120,000) respectively.

In arriving at the aforesaid Annual Caps, the following factors have been taken into account:

- (a) the historical transaction amounts in respect of the same or similar services procured by Yu Ji Pipeline Company;
- (b) the prevailing reference service fee adopted by Sinopec Group Company; and
- (c) the applicable tax rate.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE CHANGCHENG NATURAL GAS TRANSMISSION SERVICES FRAMEWORK MASTER AGREEMENT AND THE NATURAL GAS PIPELINE TECHNICAL SERVICES FRAMEWORK MASTER AGREEMENT**

The Yulin-Jinan Pipeline, which is designed solely for natural gas transmission, is the core principal asset of Yu Ji Pipeline Company. The provision of the Natural Gas Transmission Services by Yu Ji Pipeline Company to Sinopec Changcheng Gas Group could utilise the commercial value of the Yulin-Jinan Pipeline.

The Natural Gas Pipeline Technical Services procured by Yu Ji Pipeline Company include pipeline maintenance and technical support in relation to the Yulin-Jinan Pipeline, which are necessary in order to ensure safe, steady and efficient operation of natural gas pipeline transmission. In view of the experience, expertise and professional personnel of Sinopec Pipeline Services Group as well as the understanding of Sinopec Pipeline Services Group of the needs of Yu Ji Pipeline Company, and for the purpose of effective operating cost management, Yu Ji Pipeline Company entered into the Natural Gas Pipeline Technical Services Framework Master Agreement to maximise the Group's interests in the Yulin-Jinan Pipeline while reducing the time and costs of the Group in pipeline maintenance and technical support.

The terms of each of the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement were determined after arm's length negotiations between the respective parties thereto. The Directors, including the independent non-executive Directors, consider that the terms of each of the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement and the Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INTERNAL CONTROL**

In order to ensure that the aforesaid pricing bases for the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement are adhered to, the Company will adopt the following internal control measures:

- (a) the Group has an internal audit system to trace, monitor and evaluate the transaction amounts under the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement regularly to ensure that their respective Annual Caps will not be exceeded; and
- (b) the Group will comply with the annual review requirements in respect of the transactions under the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement in accordance with Chapter 14A of the Listing Rules, such as engaging the Company's auditor to conduct annual review and having

the independent non-executive Directors to review the transactions under the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement and give opinion and/or confirmation in the Company's annual reports.

By implementing the above measures, the Directors, including the independent non-executive Directors, consider that the Company has sufficient internal control and procedures to ensure that the transactions under the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement will be conducted on normal commercial terms.

### **INFORMATION OF YU JI PIPELINE COMPANY, THE GROUP, SINOPEC CHANGCHENG GAS AND SINOPEC PIPELINE SERVICES COMPANY**

Yu Ji Pipeline Company is an indirect wholly-owned subsidiary of the Company incorporated in the PRC with limited liability and is principally engaged in provision of natural gas pipeline transmission services.

The Group is principally engaged in the provision of crude oil jetty services, vessel chartering services and natural gas pipeline transmission services.

Sinopec Changcheng Gas is principally engaged in sales of natural gas, provision of heating services, sales of petrochemical products, provision of natural gas storage and transmission technological development, consultation and services, as well as the provision of project investment and asset management.

Sinopec Pipeline Services Company is principally engaged in provision of maintenance, repair and construction of pipeline and ancillary facilities as well as provision of pipeline technical development, consultation and risk management services.

### **CONNECTED RELATIONSHIP AND LISTING RULES IMPLICATIONS**

As at the date of this announcement, Sinopec Changcheng Gas is an indirect wholly-owned subsidiary of Sinopec Corp., the controlling shareholder of the Company, whereas Sinopec Pipeline Services Company is a wholly-owned subsidiary of Sinopec Oilfield Service Corporation, which is a subsidiary of Sinopec Group Company, the ultimate controlling shareholder of the Company. Accordingly, each of Sinopec Changcheng Gas and Sinopec Pipeline Services Company is a connected person of the Company and the transactions contemplated under the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of each of the Annual Caps for the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement are more than 0.1% but less than 5%, the Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas

Pipeline Technical Services Framework Master Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Chen Bo, Mr. Xiang Xiwen, Mr. Dai Liqi, Mr. Li Jianxin and Mr. Wang Guotao, the executive Directors, hold 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 Changcheng Natural Gas Transmission Services Framework Master Agreement and the Natural Gas Pipeline Technical Services Framework Master Agreement and the transactions contemplated thereunder, including the Annual Caps.

## **DEFINITIONS**

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

“Annual Cap(s)”	the maximum aggregate annual value payable for the transactions contemplated under each of the Changcheng Natural Gas Transmission Services Framework Master Agreement and/or the Natural Gas Pipeline Technical Services Framework Master Agreement for the period from 30 August 2018 to 31 December 2018 and/or for the year ending 31 December 2019
“associate(s)”	has the same meaning as ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Changcheng Natural Gas Transmission Services Framework Master Agreement”	the natural gas transmission services framework master agreement dated 30 August 2018 entered into between Yu Ji Pipeline Company and Sinopec Changcheng Gas, pursuant to which Yu Ji Pipeline Company agreed to provide the Natural Gas Transmission Services to Sinopec Changcheng Gas Group for the term from 30 August 2018 to 31 December 2019 (both days inclusive)
“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 same meaning as ascribed to this term under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed to this term under the Listing Rules
“Director(s)”	the director(s) of the Company, including the independent non-executive directors

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Natural Gas Pipeline Technical Services”	provision of natural gas pipeline construction works and related technical services, including external inspection of pipeline and water conservation construction works and related services for pipeline procured by Yu Ji Pipeline Company
“Natural Gas Pipeline Technical Services Framework Master Agreement”	the natural gas pipeline construction works and related technical services framework master agreement dated 30 August 2018 entered into between Yu Ji Pipeline Company and Sinopec Pipeline Services Company pursuant to which Sinopec Pipeline Services Group agreed to provide the Natural Gas Pipeline Technical Services to Yu Ji Pipeline Company for the term from 30 August 2018 to 31 December 2019 (both days inclusive)
“Natural Gas Transmission Services”	provision of natural gas transmission services by transmitting natural gas through the Yulin-Jinan Pipeline owned by Yu Ji Pipeline Company to the natural gas delivery point(s) designated by Sinopec Changcheng Gas Group
“percentage ratio(s)”	has the same meaning as ascribed to this term under the Listing Rules, as applicable to a transaction
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Sinopec Changcheng Gas”	Sinopec Changcheng Gas Investment Company Limited* (中石化長城燃氣投資有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Sinopec Corp.
“Sinopec Changcheng Gas Group”	Sinopec Changcheng Gas, its subsidiaries, its joint venture companies and its associated companies



“Sinopec Corp.”	China Petroleum & Chemical Corporation (中國石油化工股份有限公司), a joint stock limited liability company incorporated in the PRC, the shares of which are listed on the stock exchanges of Hong Kong (Hong Kong stock code: 386), Shanghai, New York and London
“Sinopec Group”	Sinopec Group Company, its subsidiaries and its associated companies and affiliates, including the Group
“Sinopec Group Company”	China Petrochemical Corporation (中國石油化工集團公司), an enterprise established under the laws of the PRC, being the controlling shareholder of Sinopec Corp. (by virtue of its holding of approximately 68.81% in the issued share capital of Sinopec Corp.) and the ultimate controlling shareholder of the Company (by virtue of the indirect shareholding of Sinopec Corp. of approximately 60.33% in the issued share capital of the Company)
“Sinopec Oilfield Service Corporation”	Sinopec Oilfield Service Corporation (中石化石油工程技術服務股份有限公司), a joint stock limited company established in the PRC and its A shares are listed on the Shanghai Stock Exchange and its H shares are listed on the Main Board of the Stock Exchange (Hong Kong stock code: 1033)
“Sinopec Pipeline Services Company”	Sinopec Pipeline Technical Services Company Limited* (中石化管道技術服務有限公司), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of Sinopec Oilfield Service Corporation, which is a subsidiary of Sinopec Group Company
“Sinopec Pipeline Services Group”	Sinopec Pipeline Services Company, its subsidiaries, its joint venture companies and its associated companies
“State”	the government of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning as ascribed to this term under the Listing Rules
“Yu Ji Pipeline Company”	Sinopec Yu Ji Pipeline Company Limited (中石化榆濟管道有限責任公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Yulin-Jinan Pipeline”	Yulin, Shaanxi Province to Jinan, Shandong Province Natural Gas Transmission Pipelines, which pass through four provinces including Shaanxi Province, Shanxi Province, Henan Province and Shandong Province, the PRC, and the ancillary facilities
“%”	per cent

*For illustration purpose only and unless otherwise stated, conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1.00 = HK\$1.14. Such conversion should not be construed as a representation that any amount have been, could have been, or may be, exchanged at this or any other rate.*

By Order of the Board  
**Sinopec Kantons Holdings Limited**  
**Chen Bo**  
*Chairman*

Hong Kong, 30 August 2018

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

***Executive Directors:***

Mr. Chen Bo (*Chairman*)  
Mr. Xiang Xiwen (*Deputy Chairman*)  
Mr. Dai Liqi  
Mr. Li Jianxin  
Mr. Wang Guotao  
Mr. Ye Zhijun (*Managing Director*)

***Independent Non-Executive Directors:***

Ms. Tam Wai Chu, Maria  
Mr. Fong Chung, Mark  
Dr. Wong Yau Kar, David  
Ms. Wong Pui Sze, Priscilla

\* *For identification purposes only*