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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)

13.51A

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF EQUITY INTEREST IN FUJAIRAH OIL TERMINAL FZC IN UNITED ARAB EMIRATES

The Board is pleased to announce that on 9 January 2012, Sinomart Development, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement and the Shareholders' Agreement with Concord HK in respect of the acquisition of an equity interest in FOT, and entered into the Commercial Storage Agreement with FOT in respect of the services provided by FOT. FOT will principally engage in operating oil storage facilities in Fujairah Free Zone, United Arab Emirates and it will develop an oil storage project with a capacity of 1,125,000 cubic metre in the Emirate of Fujairah, and more specifically located adjacent to the Port of Fujairah, United Arab Emirates. FOT will provide services in respect of oil products at, outside or through its oil depot, including but not limited to, making storage space available, procuring delivery of, storing the Products.

THE SALE AND PURCHASE AGREEMENT

Pursuant to Sale and Purchase Agreement between Sinomart Development and Concord HK, Sinomart Development has conditionally agreed to purchase, and Concord HK has conditionally agreed to sell, the Base Shares (representing 50% of the issued share capital of FOT) at a total consideration of USD25,050,000 (equivalent to approximately HK\$194,889,000), and in addition, Sinomart Development may request to purchase the Control Shares (representing 1% of the issued share capital of FOT) at a total consideration of USD9,001,000 (equivalent to approximately HK\$70,027,780). The details of principal terms of the Sale and Purchase Agreement are disclosed in the section headed "The Sale and Purchase Agreement" in this announcement.

THE SHAREHOLDERS' AGREEMENT

In connection to the Acquisition, Sinomart Development and Concord HK also entered into the Shareholders' Agreement to regulate their respective rights and obligations in FOT. The details of principal terms of the Shareholders' Agreement are disclosed in the section headed "The Shareholders' Agreement" in this announcement.

THE COMMERCIAL STORAGE AGREEMENT

In connection with the development of the Project by FOT, Sinomart Development and FOT entered into the Commercial Storage Agreement, pursuant to which FOT will provide services to Sinomart Development at the oil depot operated by FOT in Fujairah port, United Arab Emirates. The details of principal terms of the Commercial Storage Agreement are disclosed in the section headed "The Commercial Storage Agreement" in this announcement.

LISTING RULES IMPLICATION

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Sale and Purchase Agreement in aggregate will exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 9 January 2012, Sinomart Development entered into the Sale and Purchase Agreement and the Shareholders' Agreement with Concord HK in respect of the acquisition of the equity interest in FOT, and entered into the Commercial Storage Agreement with FOT in respect of the services provided by FOT. FOT will principally engage in operating oil storage facilities in Fujairah Free Zone, United Arab Emirates and it will develop an oil storage project with a capacity of 1,125,000 cubic metre in the Emirate of Fujairah, and more specifically located adjacent to the Port of Fujairah, United Arab Emirates. FOT will provide services in respect of oil products at, outside or through its oil depot, including but not limited to, making storage space available, procuring delivery of, storing the Products.

Details of the Sale and Purchase Agreement, the Shareholders' Agreement and the Commercial Storage Agreement are set out below.

THE SALE AND PURCHASE AGREEMENT

Date

9 January 2012

14.58(2)

Parties

- (1) Concord HK, as vendor
- (2) Sinomart Development, as purchaser

Concord HK is an investment holding company with limited liability incorporated in Hong Kong, and is wholly owned by Concord Energy as at the date of this announcement. Concord Energy is a company with limited liability incorporated in Singapore.

To the Directors' knowledge, information and belief having made all reasonable enquiries, each of Concord HK, Concord Energy and its ultimate beneficial owners is an independent third party of the Company and its connected persons (as defined in the Listing Rules).

Pursuant to the Sale and Purchase Agreement, the obligations of Sinomart Development and Concord HK therein are each guaranteed by the Company and Concord Energy respectively.

Principal Terms

14.60(1)

Acquisition of Base Shares

Pursuant to the Sale and Purchase Agreement, Sinomart Development has conditionally agreed to purchase, and Concord HK has conditionally agreed to sell, the Base Shares (representing 50% of the issued share capital of FOT) from Concord HK.

The consideration for Base Shares is USD25,050,000 (equivalent to approximately HK\$194,889,000) which is payable by Sinomart Development to Concord HK in cash at the Closing. The Group intends to satisfy the cash payment of consideration by its internal resources, bank financing or other appropriate financing activities as deemed appropriate by the Board. The Consideration has been determined after arm's length negotiations among the parties to the Sale and Purchase Agreement with reference to, amongst others, participation and the growth potential of FOT.

Request to acquire the Control Shares

Pursuant to the Sale and Purchase Agreement, Sinomart Development may request to purchase the Control Shares (representing 1% of the issued share capital of FOT) from Concord HK. Such request shall be made in writing no later than 5 Business Days following the date of all the conditions precedent of the Sale and Purchase Agreement have been satisfied (or waived by the parties thereto).

In the event that Concord HK agrees in writing to the request, the consideration for the Control Shares is USD9,001,000 (equivalent to approximately HK\$70,027,780) which is payable by Sinomart Development to Concord HK in cash at the Closing. It is the intention of the Group that the fund will be financed by internal resources, bank financing or other appropriate financing activities. The Consideration has been determined after arm's length negotiations among the parties to the Sale and Purchase Agreement with reference to, among others, participation and the growth potential of FOT and more control over FOT. ^{14.58(4)}
^{14.58(5)}

Conditions Precedent

Closing of the Acquisition contemplated under the Sale and Purchase Agreement is conditional upon the fulfilment or waiver (where applicable) of the following conditions, among others:

- (i) Sinomart Development having obtained all required PRC government approvals in respect of the Sale and Purchase Agreement and the Shareholders' Agreement and the Project;
- (ii) FOT having been issued of all necessary regulatory and other approvals required as at the date of the Sale and Purchase Agreement in respect of the Project;
- (iii) Concord HK having obtained the evidence that FOT is the legal and beneficial holder of the land lease with the Municipality of Fujairah in relation to the Project site; and
- (iv) all representations and warranties given by Concord HK under the Sale and Purchase Agreement being true and accurate at Closing and Concord HK not being in breach of any pre-closing undertaking.

If the condition (i) above is not satisfied or waived within 90 days after the date of the Sale and Purchase Agreement or if the conditions precedent (except condition (i) above) are not satisfied or waived by the parties thereto in writing on or before the date falling 180 days after the date of the Sale and Purchase Agreement, the Sale and Purchase Agreement will terminate on a no liability basis, but without prejudice to accrued rights and obligations as at termination. The long stop date may be extend by mutual consent of Sinomart Development and Concord HK in writing.

Closing

Closing will take place on the Business Day which is 30 Business Days after the day on which the FFZA issues share certificate(s) to the Buyer in respect of the Base Shares and the Control Shares (if applicable) and an extract of the relevant register maintained by the FFZA showing the Buyer as the owner of the Base Shares and the Control Shares (if applicable) (or such other date as the parties may agree).

SHAREHOLDERS' AGREEMENT

Date

9 January 2012

Parties

- (1) Concord HK
- (2) Sinomart Development

Principal Terms

Capital contribution to FOT

14.60(1)

The shareholders are expected to contribute to the Project proportional to their shareholding in FOT. It is also expected that the Project is to be financed in the ratio of 70% debt from banks and lenders, and 30% equity from shareholders.

Board of directors of FOT

Pursuant to the Shareholders' Agreement, and subject to certain events, the board of directors of FOT will consist of 4 directors, of which Sinomart Development will appoint 2 directors to the board.

The quorum for the transaction of business at any board meeting of FOT shall be one director appointed by each of Sinomart Development and Concord HK. All decision of the board of FOT shall require an affirmative vote of at least one director appointed by each of Sinomart Development and Concord HK.

Management of FOT

Sinomart Development will have the right to appoint the general manager of FOT. The heads of departments, such as marketing department, finance department, operations department, human resources department and engineering department, shall be subject to the supervision of and shall report to the general manager. The board of directors of FOT will revise the powers and responsibilities of the general manager from time to time, where appropriate.

Other major terms

Pursuant to the Shareholders' Agreement, reserved matters of the board or the shareholders' meeting of FOT shall require an affirmative vote of each of Sinomart Development and Concord HK (at a shareholders' meeting) or at least one director nominated by each of Sinomart Development and Concord HK (at a board meeting). These reserved matters include, among others, amendments to the articles of

association of FOT, consolidation, merger, takeover, bankruptcy or dissolution of FOT, and the making of any additional financial investment (debt or equity) in FOT or the Project to be decided by the shareholders of FOT.

COMMERCIAL STORAGE AGREEMENT

Date

9 January 2012

Parties

- (1) FOT, as owner of the oil depot
- (2) Sinomart Development, as customer

Principal Terms

Services

14.60(1)

Pursuant to the Commercial Storage Agreement, FOT agreed to provide the services to Sinomart Development commencing from the Commercial Operation Date. Such services shall comprise any or all operations carried out or to be carried out by FOT in respect of the oil products entrusted by customers at, outside or through its oil depot, including but not limited to making storage space available, procuring delivery of, storing, manipulating (which shall be deemed to include the through-pumping of the oil products between the common valve block at the Fujairah port and the oil tank of FOT), moving, treating, processing, delivering, and administrative handling of the oil products (including shipping documentation, mandatory government reporting, etc).

Volume commitment for storage

Each of Sinomart Development and Concord HK agreed to renting a storage of 557,500 cubic meter from FOT, that is 50% of the total capacity of the oil depot.

Rental and handling charge

The minimum price for the rental and handling charge in respect of the storage is at a fixed rate of USD4 per cubic meter per month for the total of the volume commitment for storage by Sinomart Development to FOT, payable from the Commercial Operation Date to the expiry of the Commercial Storage Agreement, irrespective of capacity actually used by Sinomart Development or Concord HK. The rental and handling charge shall be the higher of the minimum price or the applicable market price, which shall be decided by the board of directors of FOT on an annual basis.

Effective period of the Commercial Storage Agreement

The Commercial Storage Agreement shall become effective from the occurrence of the later of (a) agreed form and content of engineering, procurement and construction contract having been initialled by Sinomart Development and Concord HK; and (b) the main terms and conditions of the external financing from lenders of the construction of the Project having been jointly negotiated and agreed by Sinomart Development and Concord HK.

The storage rental obligation under the Commercial Storage Agreement shall commence from the Commercial Operation Date and shall continue for a period of 10 years.

Guarantee provided by the Company

The performance and payment obligations of Sinomart Development under the Commercial Storage Agreement are guaranteed by the Company under a separate guarantee in favour of FOT dated 9 January 2012.^{14.58(9)}

INFORMATION ON FOT

FOT is a private company incorporated in the Fujairah Free Zone, United Arab Emirates, and as at the date of the Sale and Purchase Agreement, FOT is owned as to approximately 99.99% by Concord HK and approximately 0.01% by Concord Energy.^{14.58(2)}^{14.60(1)} The shares in FOT owned by Concord Energy will be transferred to Concord HK after Closing. Furthermore, Concord HK proposes to transfer its equity interest in FOT, which amounts to 12% of the issued share capital of FOT, to two independent third parties. Concord HK is a wholly-owned subsidiary of Concord Energy. The principal business of Concord Energy is trading of oil and oil product focusing of the Asia-Pacific region.

FOT will principally engage in operating oil storage facilities in Fujairah Free Zone, United Arab Emirates and it will develop an oil storage project with a capacity of 1,125,000 cubic metre in the Emirate of Fujairah, and more specifically located adjacent to the Port of Fujairah, United Arab Emirates. FOT will provide services in respect of petroleum products at, outside or through its oil depot, including but not limited to, making storage space available, procuring delivery of, storing the Products. Preliminary, the total investment of the Project is estimated to be approximately USD303,820,000 (HK\$2,369,796,000). At the date of this announcement, FOT has not commenced any commercial business.

The Directors will consider FOT as an associate under the HKFRS at the Closing.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the trading of crude oil and oil products, operation of crude oil terminals and their ancillary facilities, provision of logistic services including the storage, logistic, terminal services and the distribution of oil and oil products and the international logistic agency services.^{14.58(8)}

Fujairah is located at eastern seaboard of United Arab Emirates. Fujairah port is one of the most important ports in United Arab Emirates and one of the largest bunkering port in the world. FOT will develop and operate an oil storage project with a capacity of 1,125,000 cubic metre in Fujairah port. The Directors consider that the Acquisition is in line with the Group's business development strategy of providing oil storage facilities and related logistics services and expanding into new markets. In addition, upon commencement of operation of the Project, it will increase the overall profitability and stability of earnings of the Group.

The Directors consider that the terms and conditions of the Sale and Purchase Agreement, the Shareholders' Agreement and the Commercial Storage Agreement are fair and reasonable, on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

The Company was incorporated in Bermuda with limited liability and its shares are listed on the Stock Exchange. The principal activities of the Group are the trade of crude oil and oil products, the operation^{14.58(2)} of crude oil terminals and their ancillary facilities, provision of logistic services including the storage, logistic, terminal services and the distribution of oil and oil products and the international logistic agency services. The Group currently owns two operating companies in the PRC, namely Hua De Petrochemical Co., Ltd. and Zhan Jiang Port Petrochemical Terminal Co., Ltd.. Reference is also made to the circular of the Company dated 14 December 2011 in relation to its proposed acquisition of five joint ventures in the PRC and the proposed rights issue.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Sale and Purchase Agreement in aggregate will exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	:	the acquisition by Sinomart Development from Concord HK of the Base Shares (and Control Shares as applicable) pursuant to the Sale and Purchase Agreement;
“Associate(s)”	:	the meaning ascribed to it in the Listing Rules;
“Base Shares”	:	50% of the issued share capital in FOT;
“Board”	:	the board of Directors;

“Business Day”	:	a day other than a Friday, Saturday, Sunday or public holiday on which banks are ordinarily open for the transaction of normal banking business in the UAE, Hong Kong, Beijing and Singapore;
“Closing”	:	the completion of the Acquisition as defined in the Sale and Purchase Agreement;
“Commercial Operation Date”	:	the date on which, among others, all necessary licences and permits required for FOT in order to operate the Project will be obtained;
“Company”	:	Sinopec Kantons Holdings Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
“Concord Energy”	:	Concord Energy Oil Terminal Pte Ltd, a limited company incorporated in Singapore, engages in crude oil and petroleum products trading;
“Concord HK”	:	Concord Energy Oil Terminal (Hong Kong) Limited, a limited company incorporated in Hong Kong and a wholly-owned subsidiary of Concord Energy;
“Control Shares”	:	1% of the issued share capital in FOT;
“Directors”	:	the directors of the Company from time to time;
“FFZA”	:	Fujairah Free Zone Authority;
“FOT”	:	Fujairah Oil Terminal FZC, a limited liability company incorporated in the Fujairah Free Zone, United Arab Emirates;
“Group”	:	the Company and its subsidiaries;
“HKFRS”	:	Hong Kong Financial Reporting Standards;
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	:	the People’s Republic of China, but for the purposes of this announcement only, excluding Hong Kong, Macau and Taiwan;
“Project”	:	the oil storage project with a capacity of 1,125,000 cubic metre with ancillary facilities being developed by FOT in the Emirate of Fujairah;

“Sale and Purchase Agreement”	:	a sale and purchase agreement dated 9 January 2012 entered into between Sinomart Development and Concord HK in relation to the Acquisition;
“Shareholders”	:	persons whose names appear on the register of members as registered holders of the shares of the Company;
“Shareholders’ Agreement”	:	a shareholders’ agreement dated 9 January 2012 entered into between Sinomart Development and Concord HK in order to regulate their respective rights and obligations in FOT;
“Sinomart Development”	:	Sinomart KTS Development Limited (經貿冠德發展有限公司), a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited;
“subsidiary”	:	shall have the meaning ascribed to that term in the Listing Rules;
“HK\$”	:	Hong Kong dollars, the lawful currency of Hong Kong;
“USD”	:	United States dollars, the lawful currency of United States of America; and
“%”	:	per cent.

In this announcement, unless otherwise stated, amounts in USD have been converted into HK\$ at the rate of HK\$7.78 = USD1 for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted.

By order of the Board
Sinopec Kantons Holdings Limited
Dai Zhao Ming
Chairman

Hong Kong, 9 January 2012

As at the date of this announcement, the Board comprises six executive Directors: Mr. Dai Zhao Ming, Mr. Zhu Zeng Qing, Mr. Zhu Jian Min, Mr. Tan Ke Fei, Mr. Zhou Feng, Mr. Ye Zhi Jun and three independent non-executive Directors: Mr. Wong Po Yan, Ms. Tam Wai Chu, Maria and Mr. Fong Chung, Mark.

* *for identification purpose*