SINOPEC KANTONS HOLDINGS LIMITED

（中石化冠德控股有限公司）*

(incorporated in Bermuda with limited liability)

(Stock Code: 934)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION ACQUISITION OF FIVE JOINT VENTURES

(2) PROPOSED RIGHTS ISSUE IN THE PROPORTION OF UP TO ONE RIGHTS SHARE FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE

AND

(3) INCREASE IN AUTHORISED SHARE CAPITAL

Financial Adviser

BofA Merrill Lynch

The Board is pleased to announce its proposed (i) acquisition of the equity interest in the Five Joint Ventures from Sinopec Corp., (ii) rights issue of up to one Rights Share for every one existing Share held on the Record Date, and (iii) Increase in Authorised Share Capital.

THE ACQUISITION

On 3 December 2011, Sinomart Development (as purchaser), a wholly owned subsidiary of the Company, and Sinopec Corp. (as vendor) entered into the Acquisition Agreements. Pursuant to the Acquisition Agreements, Sinomart Development conditionally agreed to acquire and Sinopec Corp. conditionally agreed to sell its equity interests in the following Five Joint Ventures at an aggregate consideration of RMB1,809,807,300 (approximately HK$2,220,622,454):

(1) Sinomart Development agreed to acquire Sinopec Corp.'s 50% equity interest in Ningbo Shihua at the consideration of RMB173,284,700 (approximately HK$212,619,264);

(2) Sinomart Development agreed to acquire Sinopec Corp.'s 50% equity interest in Qingdao Shihua at the consideration of RMB585,797,600 (approximately HK$718,770,061);

(3) Sinomart Development agreed to acquire Sinopec Corp.'s 50% equity interest in Tianjin Port Shihua at the consideration of RMB349,546,800 (approximately HK$428,891,779);

(4) Sinomart Development agreed to acquire Sinopec Corp.'s 50% equity interest in Rizhao Shihua at the consideration of RMB427,869,300 (approximately HK$524,993,006); and

(5) Sinomart Development agreed to acquire Sinopec Corp.'s 90% equity interest in Tangshan Caofeidian Shihua at the consideration of RMB273,308,900 (approximately HK$335,348,344).

Upon completion of the Acquisition, Ningbo Shihua, Qingdao Shihua, Tianjin Port Shihua, Rizhao Shihua and Tangshan Caofeidian Shihua will become jointly controlled entities of the Company under HKFRS.

In line with the development and positioning strategy of the Company set by Sinopec Group, the Company, through Sinomart Development, intends to acquire the equity interest in the Five Joint Ventures from Sinopec Corp.. Upon completion of the Acquisition, the number of crude oil terminal companies controlled or jointly owned by the Group will increase from two to seven, with the number of berths increasing from 14 to 24, and the annual design capacity of the Group's controlled or jointly controlled crude oil terminals will increase from approximately 85 million tonnes to approximately 225 million tonnes, enabling the Company to become the largest service provider of crude oil terminals in China and one of the largest in Asia. This will have a profound significance to the Group's industry position and strategic role in relation to terminal and shoreline resources. Moreover, this will strengthen the Group's competitive advantage, significantly enhance core competencies, increase profitability, as well as position the Company for the future overseas expansion of its oil terminal and storage business.

The conditions for the Acquisition Agreements becoming effective are set out in the sub-section headed “Conditions precedent to the Acquisition” below.

THE PROPOSED RIGHTS ISSUE

In order to finance the Acquisition, the Company proposes to raise a minimum of HK$2,500 million and a maximum of HK$3,500 million before expenses by way of the proposed Rights Issue of up to one (1) Rights Share for every one (1) existing Share held on the Record Date. The proposed Rights Issue will be subject to, among other things, the approval of the Independent Shareholders at the SGM. The resolution approving the proposed Rights Issue will be valid until 30 April 2012 (i.e. the proposed Rights Issue will need to be completed on or before 30 April 2012).

The final amount of gross proceeds shall be determined by the actual Subscription Price and number of the Rights Shares to be issued at the time of the proposed Rights Issue. The Subscription Price and the number of the Rights Shares shall be determined by the Board or any other person(s) authorised by the Board in consultation with the Underwriter(s) with reference to market trading price, having regard to the prevailing market conditions, including but not limited to, the trading price of the Shares before the publication of a further announcement regarding the proposed Rights Issue. As at the Latest Practicable Date, the closing price of the Shares is HK$4.94 per Share.

The Company will proceed with the proposed Rights Issue on a fully underwritten basis in accordance with Rule 7.19(1) of the Listing Rules.

Prior to the commencement of the proposed Rights Issue, the Company will make a further announcement and issue the Prospectus, which will contain all relevant details of the proposed Rights Issue, including the definitive basis on which the Rights Shares are to be offered, the number of Rights Shares to be issued, the Subscription Price, the period of closure of the register of members, trading arrangements of the Rights Shares, trading arrangements of the rights to subscribe for the Rights Shares in nil-paid form, the arrangements for excess Rights Shares, the underwriting arrangements and the expected timetable of the proposed Rights Issue.

The Acquisition is conditional upon the approval and completion of the proposed Rights Issue. The conditions of the proposed Rights Issue are set out under the section headed "Conditions of the proposed Rights Issue" in this announcement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules. In addition, since SKI, the immediate controlling shareholder of the Company, holding 750,000,000 Shares representing approximately 72.34% of the issued share capital of the Company, is an indirect wholly owned subsidiary of Sinopec Corp., the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As such, the Acquisition and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the SGM on a vote taken by way of poll and on which SKI and its Associates shall abstain from voting in favour.

The completion of the proposed Rights Issue would increase the issued share capital of the Company by more than 50%. Pursuant to Rule 7.19(6)(a) of the Listing Rules, the proposed Rights Issue is conditional on the approval by the Independent Shareholders at the SGM on a vote taken by way of poll and on which SKI and its Associates, shall abstain from voting in favour.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been constituted to consider the terms of the Acquisition and the transactions contemplated thereunder, and the proposed Rights Issue, and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolutions regarding the Transactions. Mr. Wong Po Yan, Ms. Tam Wai Chu, Maria and Mr. Fong Chung, Mark have been appointed by the Board to serve as members of the Independent Board Committee. No member of the Independent Board Committee has any material interest in the Transactions.

Somerley Limited, the independent financial adviser, has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the transactions contemplated under the Acquisition and the proposed Rights Issue.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

At the Latest Practicable Date, the authorised share capital of the Company is HK$300,000,000 divided into 3,000,000,000 Shares, of which 1,036,830,000 Shares of HK$0.10 each have been issued. To facilitate future expansion and growth of the Group, the Board proposes to increase the authorised share capital of the Company to HK$1,000,000,000 divided into 10,000,000,000 Shares, by the creation of 7,000,000,000 additional Shares which will rank pari passu with all existing Shares. The Increase in Authorised Share Capital of the Company is conditional upon the approval of the Shareholders at the SGM.

GENERAL

A circular containing, among other things,

(i) further details of the Acquisition;

(ii) further details of the proposed Rights Issue;

(iii) the letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisition and the proposed Rights Issue;

(iv) a letter of advice from Somerley Limited, the independent financial adviser appointed by the Company, to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the proposed Rights Issue;

(v) the Increase in Authorised Share Capital; and

(vi) a notice convening the SGM,

is expected to be despatched to the Shareholders on or before 23 December 2011.

Since completion of the Acquisition is conditional on the approval and completion of the proposed Rights Issue and since both the Acquisition and the proposed Rights Issue are subject to the fulfillment of certain conditions, any of the Acquisition and the proposed Rights Issue may or may not proceed. Investors should exercise caution when dealing in the Shares and/or the Rights Shares. When in doubt, investors are recommended to consult their professional adviser(s).

The Board is pleased to announce its proposed (i) acquisition of the equity interest in the Five Joint Ventures from Sinopec Corp., (ii) rights issue of up to one Rights Share for every one existing Share held on the Record Date, and (iii) Increase in Authorised Share Capital.

I. THE ACQUISITION

BACKGROUND

On 3 December 2011, Sinomart Development (as purchaser), a wholly owned subsidiary of the Company, and Sinopec Corp. (as vendor) entered into the Acquisition Agreements, pursuant to which Sinomart Development has conditionally agreed to acquire and Sinopec Corp. has conditionally agreed to sell the Target Equity Interests at an aggregate consideration of RMB1,809,807,300 (approximately HK$2,220,622,454).

A. THE ACQUISITION AGREEMENTS

(1) Ningbo Shihua Acquisition Agreement

Sinomart Development conditionally agreed to acquire, and Sinopec Corp. conditionally agreed to sell, 50% equity interest in Ningbo Shihua, free from encumbrances and together with all rights now or thereinafter attached thereto.

Details of Ningbo Shihua are set out in the paragraph headed "Information on the Five Joint Ventures" below.

(2) Qingdao Shihua Acquisition Agreement

Sinomart Development conditionally agreed to acquire, and Sinopec Corp. conditionally agreed to sell, 50% equity interest in Qingdao Shihua, free from encumbrances and together with all rights now or thereinafter attached thereto.

Details of Qingdao Shihua are set out in the paragraph headed "Information on the Five Joint Ventures" below.

(3) Tianjin Port Shihua Acquisition Agreement

Sinomart Development conditionally agreed to acquire, and Sinopec Corp. conditionally agreed to sell, 50% equity interest in Tianjin Port Shihua, free from encumbrances and together with all rights now or thereinafter attached thereto.

Details of Tianjin Port Shihua are set out in the paragraph headed "Information on the Five Joint Ventures" below.

(4) Rizhao Shihua Acquisition Agreement

Sinomart Development conditionally agreed to acquire, and Sinopec Corp. conditionally agreed to sell, 50% equity interest in Rizhao Shihua, free from encumbrances and together with all rights now or thereinafter attached thereto.

Details of Rizhao Shihua are set out in the paragraph headed "Information on the Five Joint Ventures" below.

(5) Tangshan Caofeidian Shihua Acquisition Agreement

Sinomart Development conditionally agreed to acquire, and Sinopec Corp. conditionally agreed to sell, 90% equity interest in Tangshan Caofeidian Shihua, free from encumbrances and together with all rights now or thereinafter attached thereto.

Details of Tangshan Caofeidian Shihua are set out in the paragraph headed "Information on the Five Joint Ventures" below.

Conditions precedent to the Acquisition

Each of the Acquisition Agreements will become effective upon the satisfaction of, among other things, the following conditions precedent:

(i) the due execution by Sinopec Corp. and Sinomart Development of the Acquisition Agreements;

(ii) the parties having completed their respective internal approval procedures in relation to the Acquisition and having obtained relevant written approvals, including but not limited to the approval of the Independent Shareholders in respect of the Acquisition, each of the Acquisition Agreements and the transactions contemplated thereunder at the SGM;

(iii) the Company having obtained the approval of the Independent Shareholders of the proposed Rights Issue and having completed the proposed Rights Issue;

(iv) the parties having obtained all necessary consents, approvals and authorisations required in connection with each of the Acquisition Agreements and the transactions contemplated thereunder; and

(v) with respect to the Tangshan Caofeidian Shihua Acquisition Agreement only, the registered capital of Tangshan Caofeidian Shihua having been fully paid up by Sinopec Corp., and Tangshan Caofeidian Shihua having obtained the updated business license issued by the relevant Administration for Industry and Commerce of the PRC.

If any of the conditions is not fulfilled within 12 months from the date on which such resolution in respect of the Acquisition is approved by the Independent Shareholders at the SGM, the Acquisition Agreements and the transactions contemplated thereunder will be terminated simultaneously. The Acquisition Agreements are inter-conditional as to approval by the Independent Shareholders. The Acquisition Agreements are not inter-conditional as to completion because the Five Joint Ventures are situated in different locations and will be subject to regulatory approvals from their respective local regulatory authorities which includes the Ministry of Commerce of the PRC (both the State and provincial levels). As such, it is likely that the process and timing for obtaining the requisite PRC approvals may differ for each of the Five Joint Ventures. After consultation with the Company's PRC legal counsel, the Company and Sinopec Corp. can only make finalised and formal application to the PRC regulatory authorities for obtaining the final approval for the Acquisition and the subscription of Rights Shares respectively, after the proposed Rights Issue mandate is approved by the Independent Shareholders at the SGM.

Consideration and payment terms

The total consideration payable by Sinomart Development for the Acquisition is RMB1,809,807,300 (equivalent to approximately HK$2,220,622,454), and the respective consideration for the acquisition of each of the Five Joint Ventures is as follows:

(a) RMB173,284,700 (equivalent to approximately HK$212,619,264) for acquiring 50% equity interest in Ningbo Shihua;

(b) RMB585,797,600 (equivalent to approximately HK$718,770,061) for acquiring 50% equity interest in Qingdao Shihua;

(c) RMB349,546,800 (equivalent to approximately HK$428,891,779) for acquiring 50% equity interest in Tianjin Port Shihua;

(d) RMB427,869,300 (equivalent to approximately HK$524,993,006) for acquiring 50% equity interest in Rizhao Shihua; and

(e) RMB273,308,900 (equivalent to approximately HK$335,348,344) for acquiring 90% equity interest in Tangshan Caofeidian Shihua.

Pursuant to each of the Acquisition Agreements, the consideration will be fully payable by Sinomart Development in cash in RMB to Sinopec Corp. within 6 months from the date of issue of the foreign-invested enterprise business license to each of the Five Joint Ventures.

The Directors (excluding the independent non-executive Directors, whose views will be set out in the circular to be issued by the Company) are of the view that the consideration for the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Basis of consideration

The consideration for the Acquisition has been arrived at after arm's length negotiation between Sinopec Corp. and Sinomart Development, and was determined based on the valuation of each of the Five Joint Ventures as at 30 September 2011, appraised by China United Assets Appraisal Co., Ltd., an independent firm of qualified PRC valuer (designated by the PRC government to conduct valuation of state-owned assets), by using the cost approach. The Directors (other than independent non-executive Directors who will be advised by the independent financial adviser and whose views will be set out in the circular to be despatched to the Shareholders) consider that it would be appropriate and beneficial to the Company to use the cost approach for valuation of the Target Equity Interests for the following reasons: (i) Tangshan Caofeidian Shihua was incorporated on 22 April 2011 and has a relatively short operating history. Rizhao Shihua has been incurring losses since its incorporation on 28 June 2010 due to its trial operation, which is expected to complete by the start of 2012. As such, it would be difficult to prepare an accurate business valuation for Tangshan Caofeidian Shihua and Rizhao Shihua using the income method. For consistency, the cost approach has been adopted for all five Target Equity Interests; (ii) by adopting the cost approach, the parties would be able to rely on more objective criteria such as the historical figures of the Five Joint Ventures instead of relying on operating assumptions to forecast the future financial performance of the Five Joint Ventures under the income approach; and (iii) the cost approach is in line with the applicable PRC laws and regulations in respect of valuation of PRC state owned assets.

As at 30 September 2011, the valuation of the Target Equity Interests to be acquired by Sinomart Development was RMB1,809,807,300 (equivalent to approximately HK$2,220,622,454). As at the date of valuation, being 30 September 2011, the unaudited net assets value of the Target Equity Interests to be acquired by Sinomart Development prepared in accordance with HKFRS was RMB1,577,111,000 (equivalent to approximately HK$1,935,106,000). The Directors (other than the independent non-executive Directors who will be advised by the independent financial adviser and whose views will be set out in the circular to be despatched to the Shareholders) consider that the valuation of the Target Equity Interests to be acquired by Sinomart Development, as of the date of valuation, i.e. 30 September 2011 is fair and reasonable.

The valuation report has been reviewed by the Board to assist the determination of the consideration of the Acquisition. The Directors are of the view that such business valuation of the Target Equity Interests has been prepared after due and careful enquiry.

Source of Funding

The Company is proposing that the consideration be funded by way of the proposed Rights Issue. The completion of the Acquisition is conditional upon the completion of the proposed Rights Issue. Details of the proposed Rights Issue are set out under the section headed "The Proposed Rights Issue" below.

B. REASONS FOR AND BENEFITS OF THE ACQUISITION

In order to consolidate control of Sinopec Group's crude oil supply network and enhance the operations of the Group, the Company, through Sinomart Development, intends to acquire the Five Joint Ventures from Sinopec Corp.. The Board believes the Acquisition is consistent with the development strategy of the Group, and will bring long-term strategic benefits to the Group, including but not limited to the following:

(i) Creation of one of Asia's largest oil terminal businesses and attractive growth profile driven from China's long-term projected energy consumption growth

With the Acquisition, the Group will become a key player providing crude oil terminal and related logistics services in China, with a unique portfolio of strategic assets. The Acquisition will increase the Group's annual design capacity to a total of approximately 225 million tonnes, which will position the Company as the largest independent crude oil terminal business player in China and one of the largest in Asia.

The demand for crude oil terminal capacity and related logistics services is expected to grow significantly in the coming years, driven by China's growing demand for crude oil and its limited domestic demand and insufficient strategic oil reserves. Between 2000 and 2010, China's crude oil consumption grew at a CAGR of 6.6%. In 2010, China's total imported crude oil was approximately 239 million tonnes, representing approximately 17.5% growth in volume over the prior year. Moreover, the PRC government has set a target for China to increase its strategic crude oil reserves to 90 days, in accordance with the standards of the Organization for Economic Co-operation and Development (OECD). The strategic crude oil reserves in the country are currently estimated at 30 days, which is still well below the target. Sufficient crude oil storage, facilities and capacity are crucial for China's economic development particularly in times of high crude oil price volatility.

(ii) Increasing scale and strengthens competitive advantage of Company's core business

The Acquisition will significantly increase the scale of the Group's crude oil logistics business and will substantially enhance the Group's position to become the primary crude oil terminal platform in China.

Upon completion of the Acquisition, the number of crude oil terminal companies controlled or jointly owned by the Group will increase from two to seven, and the number of berths increasing from 14 to 24, of which nine berths will have the capacity to accept VLCC vessels. Annual design capacity will increase by approximately 165% from approximately 85 million tonnes to approximately 225 million tonnes of crude oil.

As a result of the Acquisition, the Group will have a jointly-controlled interest in each of China's top three coastal ports for crude oil loading and unloading as measured by crude oil transmission volume. Moreover, there are only a limited number of deepwater terminals in China. This is a notable advantage and makes the Company a unique investment opportunity because, as the size of international oil carriers continues to increase, it will become increasingly important to own deepwater terminals that have the facilities to accommodate VLCC size vessels and larger.

In addition, the Acquisition will substantially increase the Group's market share in the crude oil logistics sector, thus enhancing its market position and broadening its experience and expertise in crude oil terminal operations. Combining the experience and expertise of the Group's existing management team with that of the Five Joint Ventures will strengthen the capabilities of the Group to operate and manage the portfolio of crude oil terminal assets and to allow for future expansion.

(iii) Increasing profitability and stability of earnings

Crude oil terminals are strategically planned and controlled by the PRC government, and face limited availability of terminal sites and high initial capital expenditure requirements, which together give crude oil terminals in China monopolistic characteristics. Consequently, tariffs are heavily regulated by the PRC government. In addition, crude oil terminals tend to have relatively low costs and high profit margins. In 2010, the average EBITDA margins and average net income margins were 88% and 50%, respectively for Qingdao Shihua, Tianjin Port Shihua and Ningbo Shihua. Crude oil storage contracts also tend to be long-term in nature, providing meaningful earnings visibility. These factors result in a business model that generates relatively stable revenues with high operating margins and profitability.

The Acquisition is expected to materially increase the Group's profitability. In 2010, the Five Joint Ventures recorded total net profit of approximately RMB364 million and revenues of approximately RMB682 million. Moreover, as Ningbo Shihua's second phase terminal and Rizhao Shihua's terminal are currently still in trial operation stage, the future revenue and profitability of the Five Joint Ventures is expected to benefit from the earnings contribution of these terminals once they become fully operational. Rizhao Shihua is expected to unload 13 million tonnes in 2012 but could potentially increase volume to 16 million tonnes as demand increases.

The Acquisition provides the Group with an ideal combination of fully operational terminals generating steady cash flow and newly operational terminals that will contribute to earnings from 2012 onwards. As the operating profit generated by the Five Joint Ventures is relatively stable, the Acquisition will also reduce the volatility of the Group's earnings, as a greater percentage of earnings will be derived from price regulated, cash flow producing assets as opposed to trading profits or vessel charter services.

(iv) Creation of a platform for future development of the Company with support from Sinopec Group

As a direct result of the Acquisition, the Group will substantially increase its fixed assets as well as the scale and stability of its earnings and cash flows whilst still enjoying the continued support from its major shareholder and customer, Sinopec Group. The combination of these factors will make it easier for the Group to raise financing in order to fund acquisitions of oil shipping terminals or oil storage facilities, in line with the Company's strategy to become the world leading oil storage and logistics company.

As part of its development, the Group intends to explore how it may continue its cooperation with Sinopec Group in order to make further acquisitions of crude oil logistics assets, such as storage facilities or pipelines, either from Sinopec Group itself, or third party entities.

The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the independent financial adviser and set out in the circular to be despatched to the Shareholders) consider that the terms and conditions of the Acquisition and the Acquisition Agreements are fair and reasonable, have been arrived at on normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

C. INFORMATION ON FIVE JOINT VENTURES

Principal Businesses of the Five Joint Ventures

(1) Ningbo Shihua

Ningbo Shihua was established as a limited liability company on 5 December 2002 in the PRC, with a registered capital of RMB80 million (equivalent to approximately HK$98.16 million). At the Latest Practicable Date, Ningbo Shihua was held as to 50% by Sinopec Corp. and as to 50% by Ningbo Shihua JV Partner respectively.

The business scope of Ningbo Shihua is providing port-facilities to vessels, and loading and unloading of goods in the port area. Ningbo Shihua owns and operates two terminals, one of which is capable of docking a 250,000-ton vessel, and the other terminal is capable of docking a 69,000-ton vessel. The total design annual capacity of the above terminals is 17 million tonnes of crude oil which has been approved by the PRC's National Development Reform Commission. The second phase 450,000-ton terminal with a total design annual capacity of 18 million tonnes of crude oil as approved by the PRC's National Development Reform Commission has commenced the trial operation since June 2011 through a wholly-owned subsidiary of Ningbo Shihua, Ningbo Shihua Crude Oil Loading and Unloading Company Limited* (寧波實華原油裝卸有限公司) ("Ningbo Shihua Subsidiary"). Through the oil-transferring arm and the oil pipes on the working platfrom of the berth, the crude oil is transferred to the interim oil depot, and then transferred to each oil refining enterprise subsidiary, branches of Sinopec Group or other clients. Ningbo Shihua has obtained a permit for operating the port and a licence for loading and unloading hazardous goods, both with a validity period from 26 September 2010 to 25 September 2013. For the second phase 450,000-ton terminal, Ningbo Shihua Subsidiary has obtained a permit for operating the port and a license for loading and unloading hazardous goods, both of which will expire on 13 January 2012.

(2) Qingdao Shihua

Qingdao Shihua was established as a limited liability company on 23 February 2006 in the PRC, with a registered capital of RMB200 million (equivalent to approximately HK$245.40 million). At the Latest Practicable Date, Qingdao Shihua was held as to 50% by Sinopec Corp. and as to 50% by Qingdao Shihua JV Partner respectively.

The business scope of Qingdao Shihua is loading and unloading crude oil and refined oil. Qingdao Shihua operates three terminals. The first phase is capable of docking a 50,000-ton vessel and a 20,000-ton vessel. The second phase and third phase are capable of docking a 200,000-ton vessel and a 300,000-ton vessel, respectively. The total design annual capacity of the terminals are 10 million tonnes (as approved by the Ministry of Transport), 17 million tonnes and 18 million tonnes (as approved by the PRC's National Development Reform Commission), of crude oil respectively. Through the oil-transferring arm and the oil pipes on the working platform of the berth, the crude oil is transferred to the interim oil depot, and then transferred to each oil refining enterprise subsidiary, branches of Sinopec Group or other clients. Qingdao Shihua has obtained the permit for operating the port and such permit does not contain a specific expiry date. As at the Latest Practicable Date, Qingdao Shihua has applied for renewal of its permit for operating the port. The PRC legal adviser to the Company has made an enquiry with the Qingdao Port and Shipping Authority. The Qingdao Port and Shipping Authority has confirmed that such permits are normally issued without an expiry date which will be renewed upon request by the Qingdao Port and Shipping Authority. As advised by the PRC legal adviser, Qingdao Shihua has been requested by the Qingdao Port and Shipping Authority to obtain a new permit which such new permit will be valid for 3 years from the date of its issuance. While it is in the course of renewing the permit, Qingdao Shihua is legally permitted to carry on its business before the grant of the renewal of such permit. It is expected that the authority will grant the new permit around January 2012. Qingdao Shihua has obtained the licence for loading and unloading hazardous goods with a validity period from 30 August 2010 to 30 August 2013.

(3) Tianjin Port Shihua

Tianjin Port Shihua was established as a limited liability company on 19 December 2007 in the PRC, with a registered capital of RMB482.66 million (equivalent to approximately HK$592.22 million). At the Latest Practicable Date, Tianjin Port Shihua was held as to 50% by Sinopec Corp. and as to 50% by Tianjin Port Shihua JV Partner.

The business scope of Tianjin Port Shihua is the operation of terminal and port facilities, loading and unloading of goods (within the port zone), and transfer and measurement of goods. Currently, Tianjin Port Shihua is principally engaged in the development and operation of the crude oil terminal which is capable of docking a 300,000-ton vessel located in the Nanjiang Port Zone of Tianjin Port with a total design annual capacity of 20 million tonnes of crude oil as approved by the PRC's National Development and Reform Commission. The imported crude oil, through the oil transferring arm and oil pipes on the working platform of the berth, is transferred to the interim oil depot and then transferred to the oil refineries under Sinopec Group. Tianjin Port Shihua has obtained the permit for operating the port obtained with a validity period from 19 July 2010 to 19 July 2013. It has applied for renewal of its licence for loading and unloading hazardous goods which has already expired as at the date of this announcement. The PRC legal adviser to the Company advised that Tianjin Transportation Committee is in the course of reforming the current administrative measures regarding the issuance of the license for loading and unloading hazardous goods, and it has currently suspended the issuance of any renewal of such license for all enterprises, including Tianjin Port Shihua. Tianjin Transportation Committee used to issue a new license annually to the applicants for renewal of such license. As further advised by the PRC legal adviser to the Company, before promulgating the new reform by Tianjin Transportation Committee, the annual inspection chop was affixed on the expired license of Tianjin Port Shihua on 17 September 2010, and this shows that Tianjin Port Shihua is legally permitted to carry on its business after the expiry of the existing license and before the grant of the new license for loading and unloading hazardous goods. As at the Latest Practicable Date, Tianjin Port Shihua cannot ascertain the expected date of issuance of a new license for loading and unloading hazardous goods.

(4) Rizhao Shihua

Rizhao Shihua was established as a limited liability company on 28 June 2010 in the PRC, with a registered capital of RMB800 million (equivalent to approximately HK$981.60 million). At the Latest Practicable Date, Rizhao Shihua is held as to 50% by Sinopec Corp. and as to 50% by Rizhao Shihua JV Partner respectively.

The business scope of Rizhao Shihua is operation and construction of a 300,000-ton crude oil terminal along Rizhao Port Lanshan North Port Area (excluding oil tank area). The 300,000-ton terminal has a total design annual capacity of 20 million tonnes of crude oil which has been approved by the PRC's National Development and Reform Commission, and has commenced the trial operation since December 2010. Rizhao Shihua is in the process of preparating construction the second phase 300,000-ton crude oil terminal. Through the oil-transferring arm and the oil pipes on the working platform of the berth, the crude oil is transferred to the interim oil depot, and then transferred to each oil refining enterprise subsidiary, branches of Sinopec Group or other clients. Rizhao Shihua has obtained a permit for operating the port with a validity period from 10 December 2010 to 10 December 2011 and a licence for loading and unloading hazardous goods with a validity period from 12 December 2010 to 10 December 2011. As at the Latest Practicable Date, Rizhao Shihua has applied for the renewal of the permit for operating the port and the licence for loading and unloading hazardous goods.

(5) Tangshan Caofeidian Shihua

Tangshan Caofeidian Shihua was established as a limited liability company on 22 April 2011 in the PRC. At the Latest Practicable Date, Tangshan Caofeidian Shihua was held as to 90% by Sinopec Corp. and as to 10% by Tangshan Caofeidian Shihua JV Partner respectively. Its registered capital is RMB289.61 million (equivalent to approximately HK$355.35 million).

The business scope of Tangshan Caofeidian Shihua is loading and unloading and measurement of crude oil. Tangshan Caofeidian Shihua currently operates the 300,000-ton crude oil terminal and its ancillary facilities which was constructed by Sinopec Corp. in 2008 located in Caofeidian. The total design annual capacity of the terminal, as approved by the PRC's National Development Reform Commission, is 20 million tonnes of crude oil. Tangshan Caofeidian Shihua has obtained the permit for operating the port with a validity period from 30 June 2011 to 29 June 2014 and the licence for loading and unloading the hazardous goods with a validity period from 30 June 2011 to 29 June 2012.

Summary Financial Information for the Five Joint Ventures

Set out below is the unaudited key financial information of each of the Five Joint Ventures and their respective subsidiaries (if any) prepared in accordance with the HKFRS:

(1) Ningbo Shihua

	For the year ended 31 December 2009 *(RMB'000)*	**For the year ended 31 December 2010** *(RMB'000)*	**For the nine months ended 30 September 2011** *(RMB'000)*
Revenue	145,510	141,635	113,204
Profit before tax	112,266	107,295	88,623
Profit for the year/period	83,984	80,321	66,467
Profit attributable to holders of equity interests proposed to be acquired	41,992	40,161	33,234

	As at 31 December 2009 (RMB'000)	As at 31 December 2010 (RMB'000)	As at 30 September 2011 (RMB'000)
Net assets attributable to holders of equity interests proposed to be acquired	151,936	158,301	159,068

(2) Qingdao Shihua

	For the year ended 31 December 2009 (RMB'000)	For the year ended 31 December 2010 (RMB'000)	For the nine months ended 30 September 2011 (RMB'000)
Revenue	343,481	407,163	320,401
Profit before tax	268,971	323,160	252,746
Profit for the year/period	201,230	241,721	189,554
Profit attributable to holders of equity interests proposed to be acquired	100,615	120,861	94,777

	As at 31 December 2009 (RMB'000)	As at 31 December 2010 (RMB'000)	As at 30 September 2011 (RMB'000)
Net assets attributable to holders of equity interests proposed to be acquired	544,013	506,873	483,650

(3) Tianjin Port Shihua

	For the year ended 31 December 2009 (RMB'000)	For the year ended 31 December 2010 (RMB'000)	For the nine months ended 30 September 2011 (RMB'000)
Revenue	85,063	133,304	90,178
(Loss)/profit before tax	(90)	40,738	22,646
Profit for the year/period	4,431	45,929	26,369
Profit attributable to holders of equity interests proposed to be acquired	2,216	22,965	13,185

	As at 31 December 2009 (RMB'000)	As at 31 December 2010 (RMB'000)	As at 30 September 2011 (RMB'000)
Net assets attributable to holders of equity interests proposed to be acquired	243,546	266,685	279,870

(4) Rizhao Shihua

	For the period from 28 June 2010 (being its date of incorporation) to 31 December 2010 (RMB'000)	For the nine months ended 30 September 2011 (RMB'000)
Revenue	–	1,081
Loss before tax	(3,911)	(27,722)
Loss for the year/period	(3,911)	(25,546)
Loss attributable to holders of equity interests proposed to be acquired	(1,956)	(12,773)

	As at 31 December 2010	As at 30 September 2011
Net assets attributable to holders of equity interests proposed to be acquired	398,045	385,272

(5) Tangshan Caofeidian Shihua

	For the period from 22 April 2011 (being its date of incorporation) to 30 September 2011 *(RMB'000)*
Revenue	52,912
Profit before tax	43,060
Profit for the year/period	31,813
Profit attributable to holders of equity interests proposed to be acquired	28,632

	As at 30 September 2011 *(RMB'000)*
Net assets attributable to holders of equity interests proposed to be acquired	269,251

Upon completion of the Acquisition, each of Ningbo Shihua, Qingdao Shihua, Tianjin Port Shihua, Rizhao Shihua and Tangshan Caofeidian Shihua will become jointly controlled entities of the Company under HKFRS. As Tangshan Caofeidian Shihua JV Partner is entitled to veto rights in certain major decisions, including certain financial and operating policies, of Tangshan Caofeidian Shihua in accordance with the existing joint venture agreement between Sinopec Corp. and Tangshan Caofeidian Shihua JV Partner, Tangshan Caofeidian Shihua will be considered a jointly controlled entity of the Company under HKFRS upon completion of the Acquisition, after consultation with the Company's external auditors.

Upon completion of the Acquisition, Sinomart Development will enter into new joint venture agreements and new articles of association with each of the Five JV Partners in relation to the management and operation of the relevant Five Joint Ventures which will principally be in line with the parties' respective shareholding and the role of management in the Five Joint Ventures.

D. INFORMATION ON THE COMPANY AND SINOPEC CORP.

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 petroleum products, the 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. The Group currently owns two operating companies in the PRC, namely Huade and Zhan Jiang Port Petrochemical Terminal Co..

Huade, an indirect wholly owned subsidiary of the Group, owns and operates Huizhou crude oil terminal complex, which includes oil tanker handling, crude oil unloading, storage and pipeline transmission facilities, and is located in Mabianzhou Island (馬鞭洲島) in Daya Bay Economic and Technological Development Zone (大亞灣經濟技術開發區) in Huizhou, Guangdong Province, the PRC. In 2010, there were approximately 79 oil tankers berthed, with approximately 11.88 million tonnes of crude oil unloaded and approximately 11.76 million tonnes of crude oil transported in Huizhou crude oil terminal complex.

Zhan Jiang Port Petrochemical Terminal Co. is an associate of the Group (within the meaning of HKFRS), and is indirectly owned by the Company as to 50% of its equity interest. The Zhan Jiang terminal complex is owned and operated by Zhan Jiang Port Petrochemical Terminal Co., which includes oil tanker handling, crude oil, petroleum, and petrochemical products unloading, storage and pipeline transmission facilities, and is located in Zhan Jiang, Guangdong Province, the PRC. Zhan Jiang terminal complex has 12 petrochemical berths, including one crude oil berth that is capable of docking a 300,000-tonnage ship. These berths can simultaneously perform loading and unloading of different kinds of oil and oil products such as crude oil, light diesel oil, gasoline, fuel oil and base oil as well as other chemical solvents such as benzene, alcohol and ketone.

Sinopec Corp. is an integrated energy and chemical company with upstream, midstream and downstream operations and is the first PRC company publicly listed on the stock exchanges of Hong Kong, Shanghai, New York and London. The principal operations of Sinopec Corp. and its subsidiaries include: (1) exploration, development, production and trading of crude oil and natural gas; (2) processing crude oil into refined oil products, producing refined oil products and trading, transporting, distributing and marketing refined oil products; and (3) producing, distributing and trading chemical products.

II. THE PROPOSED RIGHTS ISSUE

In order to finance the Acquisition, the Company proposes to raise a minimum of HK$2,500 million and a maximum of HK$3,500 million before expenses by way of the proposed Rights Issue of up to one (1) Rights Share for every one (1) existing Share held on the Record Date.

The funds raised from the proposed Rights Issue will be primarily used to fund the Acquisition as well as the costs and expenses relating to the Acquisition and the proposed Rights Issue. In the event that the funds raised exceed amount necessary to fund the Acquisition and the above costs and expenses, the balance of the funds raised will be applied for the development and operation of crude oil terminals and provision of logistics business of the Group and for general working capital purposes. Assuming that a maximum of HK$3,500 million is raised from the proposed Rights Issue, approximately 63% of the gross proceeds will be applied for the consideration of the Acquisition.

The proposed Rights Issue will be subject to, among other things, the approval of the Independent Shareholders at the SGM. The resolution approving the proposed Rights Issue will be valid until 30 April 2012 (i.e. the proposed Rights Issue will need to be completed on or before 30 April 2012).

A. DETAILS OF THE PROPOSED RIGHTS ISSUE

Basis of the proposed Rights Issue	Up to one (1) Rights Share for every one (1) existing Share held on the Record Date by the Qualifying Shareholders
Number of shares in issue	1,036,830,000 Shares as at the Latest Practicable Date

The number of Rights Shares will be subject to final determination by the Board or any other person(s) authorized by the Board in consultation with the Underwriter(s), having regard to the market conditions and pursuant to the authorization of the SGM.

As at the Latest Practicable Date, there are no other convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the new Shares.

On the basis of 1,036,830,000 Shares in issue as at the Latest Practicable Date, the total number of the Rights Shares to be allotted pursuant to the terms of the proposed Rights Issue shall be up to 1,036,830,000 Rights Shares, representing 100% of the Company's existing issued share capital as at the Latest Practicable Date or 50% of the enlarged issued share capital of the Company immediately after the completion of the proposed Rights Issue.

Subscription Price

It is the intention of the Company to raise a minimum of HK$2,500 million and a maximum of HK$3,500 million before expenses. The actual Subscription Price shall be determined by the Board or any other person(s) authorised by the Board in consultation with the Underwriter(s) with reference to market trading price, having regard to the prevailing market conditions, including but not limited to, the trading price of the Shares before the publication of a further announcement regarding the proposed Rights Issue.

Qualifying Shareholders

The Company will send the Rights Issue Documents to the Qualifying Shareholders and, for information purposes only, the Prospectus to the Non-Qualifying Shareholders. To qualify for the proposed Rights Issue, a Shareholder will have to be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Application for excess Rights Shares

Qualifying Shareholders will be able to apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted to the Qualifying Shareholders but not accepted.

Application for excess Rights Shares can be made by completing the EAF to be despatched to the Qualifying Shareholders together with the Prospectus and lodging the same with a separate remittance for such excess Rights Shares. The Board will allocate the excess Rights Shares at its discretion on a fair and equitable basis but will give preference to topping-up odd lots to whole board lots.

Status of the Rights Shares

When allotted and fully paid, the Rights Shares will rank *pari passu* with the existing Shares in issue in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions, which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Rights of the Non-Qualifying Shareholders

The Rights Issue Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong and Bermuda.

If, on the Record Date, there are any Overseas Shareholders, the Company will instruct its legal advisers to make enquiries regarding the applicable legal restrictions and regulatory requirements of the relevant jurisdictions outside Hong Kong in connection with the extension of the proposed Rights Issue to such Overseas Shareholders. The Company will comply with all necessary requirements specified in Rule 13.36(2) of the Listing Rules and will only exclude from the proposed Rights Issue such Overseas Shareholders who the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges in such jurisdictions, consider it necessary or expedient to do so. The basis of exclusion of such Overseas Shareholders from the proposed Rights Issue, if any, will be disclosed in the Prospectus.

The Company will send the Prospectus to the Non-Qualifying Shareholders, if any, for their information only.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, if any, to be sold in the open market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be distributed pro rata to the Non-Qualifying Shareholders provided that the Company will retain individual amounts of HK$100 or less for its own benefit. Any unsold Rights Shares to which the Non-Qualifying Shareholders would otherwise have been entitled will be made available for applications for excess Rights Shares.

Application for listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both nil-paid and fully-paid forms. Dealings in the nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

Conditions of the proposed Rights Issue

It is expected that the proposed Rights Issue will be conditional, upon, among other things, the fulfillment of the following matters:

(i) the Underwriting Agreement having become unconditional and the Underwriter(s) not having terminated the Underwriting Agreement in accordance with the terms thereof;

(ii) the approval of the proposed Rights Issue and the Acquisition by the Independent Shareholders at the SGM;

(iii) the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the date of posting of the Prospectus; and

(iv) the delivery to the Stock Exchange and filing and registration of all documents in relation to the proposed Rights Issue as required by law to be filed by and registered with the Registrar of Companies in Hong Kong.

Record Date

The Record Date and the trading arrangements for the nil-paid Rights Shares will be fixed by the Board later and once so fixed, a further announcement will be made by the Company. The Rights Issue will proceed only after the Rights Issue has been approved by the Independent Shareholders at the SGM and all other conditions to the proposed Rights Issue have been fulfilled.

Trading of the Rights Shares

Dealings in the Rights Shares in both their nil-paid and fully-paid forms registered with the branch registrar of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong. A further announcement will be made by the Company regarding the trading arrangements for the Rights Shares (in both forms) after such arrangements have been finalised by the Board.

Set-off Arrangement

Qualifying Shareholders shall be entitled to set off all or part of the aggregate subscription monies in respect of the Rights Shares against such sums due from the Company to such Qualifying Shareholder under any existing legally valid, binding and enforceable agreement between the Company and such Qualifying Shareholder as determined by the Company.

B. UNDERWRITING ARRANGEMENTS

The Company will proceed with the proposed Rights Issue on a fully underwritten basis in accordance with Rule 7.19(1) of the Listing Rules and such underwriting will be conducted in accordance with the requirements of the Listing Rules. Details of the underwriting arrangement in relation to the proposed Rights Issue will be provided to the Shareholders in a further announcement on the proposed Rights Issue to be issued by the Company in due course.

The controlling shareholder of the Company intends to take up its entitlement to the Shares under the proposed Rights Issue. Details will be provided in a further announcement on the proposed Rights Issue to be issued by the Company in due course.

C. REASONS FOR AND BENEFITS OF THE PROPOSED RIGHTS ISSUE

It is expected that the gross proceeds of the range from HK$2,500 million to HK$3,500 million raised from the proposed Rights Issue will be applied towards the payment of the consideration for the Acquisition and the costs and expenses relating to the Acquisition and the proposed Rights Issue. In the event that the funds raised exceed the amount necessary to fund the Acquisition and the above costs and expenses, the balance of the funds raised will be applied for the development and operation of crude oil terminals and provision of logistics business of the Group and for general working capital purposes. The Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the independent financial adviser and will be set out in the circular to be despatched to the Shareholders) consider the terms and conditions of the Acquisition and the Acquisition Agreements to be in the interest of the Company and the Shareholders as a whole for the reasons stated above. Accordingly, the Directors (excluding the independent non-executive Directors whose opinion will be subject to the advice of the independent financial adviser and will be set out in the circular to be despatched to the Shareholders) consider that it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to raise the required financing for the Acquisition by way of the proposed Rights Issue as this exercise provides opportunities for the Shareholders to maintain their stakes in the Company and to enjoy the anticipated benefits from the Acquisition.

D. FUND-RAISING ACTIVITIES OF THE GROUP DURING THE PAST TWELVE MONTHS

The Company has not engaged in or initiated any equity fund raising exercise during the past 12 months immediately before the date of this announcement or any rights issue exercise prior to such 12-month period.

E. FURTHER ANNOUNCEMENT IN RELATION TO THE PROPOSED RIGHTS ISSUE AND ISSUANCE OF THE PROSPECTUS

Prior to the commencement of the proposed Rights Issue, the Company will make further announcement(s) and issue the Prospectus, which will contain all the relevant details of the proposed Rights Issue, including the definitive basis on which the Rights Shares are to be offered, the number of Rights Shares to be issued, the Subscription Price, the period of closure of the register of members, trading arrangements of the Rights Shares, trading arrangements of the rights to subscribe for the Rights Shares in nil-paid form, the arrangement for excess Rights Shares, the underwriting arrangement, details of the Underwriter and the Underwriting Agreement and the expected timetable of the proposed Rights Issue.

F. CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY AS A RESULT OF THE PROPOSED RIGHTS ISSUE

As at the Latest Practicable Date, there are a total of 1,036,830,000 Shares in issue and there are no other convertible securities, options or warrants in issue which would otherwise confer any right to subscribe for, convert or exchange into the new Shares.

Set out below is the shareholding structure of the Company as at the Latest Practicable Date and the possible shareholding structure immediately after the completion of the proposed Rights Issue (on the basis of one (1) Rights Share for every one (1) existing Shares and assuming that there is no change in issued share capital for the period between the Latest Practicable Date and Record Date):

	As at the Latest Practicable Date		**Immediately after completion of the proposed Rights Issue**	
	Number of shares	*%*	*Number of shares*	*%*
Substantial Shareholder:				
SKI	750,000,000	72.34	1,500,000,000	72.34
Public	286,830,000	27.66	573,660,000	27.66
Total	1,036,830,000	100.00	2,073,660,000	100.00

G. WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The proposed Rights Issue is conditional upon the fulfillment of the conditions set out under the section headed "Conditions of the Proposed Rights Issue" in this announcement. If the conditions are not fulfilled, the proposed Rights Issue will not proceed.

Any persons contemplating dealing in the Shares prior to the date on which all the conditions of the proposed Rights Issue are fulfilled, and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the proposed Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating dealing in the Shares and/or nil-paid Rights Shares are recommended to consult their own professional adviser(s).

III. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules. Sinopec Corp. owns the entire issued share capital of Unipec which in turn, owns the entire issued share capital of SKI, the immediate controlling shareholder of the Company. SKI holds 750,000,000 Shares, representing approximately 72.34% equity interest in the Company. The Acquisition therefore constitutes a connected transaction of the Company under the Listing Rules. As such, the Acquisition is subject to the approval of the Independent Shareholders at the SGM.

The completion of the proposed Rights Issue will increase the issued share capital of the Company by more than 50%. Pursuant to Rule 7.19(6)(a) of the Listing Rules, the proposed Rights Issue is conditional on the approval by the Independent Shareholders in the SGM on a vote taken by way of poll at the SGM and on which SKI and its Associates, shall abstain from voting in favour.

The Independent Board Committee has been constituted to consider the terms of the Acquisition Agreements and the transactions contemplated thereunder and the proposed Rights Issue, and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolutions regarding the Transactions. Mr. Wong Po Yan, Ms. Tam Wai Chu, Maria and Mr. Fong Chung, Mark have been appointed by the Board to serve as members of the Independent Board Committee. No member of the Independent Board Committee has any material interest in the Transactions.

IV. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

At the Latest Practicable Date, the authorised share capital of the Company is HK$300,000,000 divided into 3,000,000,000 Shares, of which 1,036,830,000 Shares of HK$0.10 each have been issued. To facilitate future expansion and growth of the Group, the Board proposes to increase the authorised share capital of the Company to HK$1,000,000,000 divided into 10,000,000,000 Shares, by the creation of 7,000,000,000 additional Shares which will rank pari passu with all existing Shares. The Board considers that the Increase in Authorised Share Capital facilitates further expansion and provides the Company with greater flexibility to raise funds by allotting and issuing new Shares in the future and thus the Increase in Authorised Share Capital is in the interest of the Company and the Shareholders as a whole.

The Increase in Authorised Share Capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM.

V. GENERAL

1. A circular containing further details of, among other things, (i) the Acquisition; (ii) the proposed Rights Issue; (iii) the recommendations of the Independent Board Committee with respect to the Acquisition and the proposed Rights Issue; (iv) a letter of advice from Somerley Limited, the independent financial adviser appointed by the Company, to advise the Independent Board Committee and the Independent Shareholders with respect to the Acquisition and the proposed Rights Issue; (v) the proposed Increase in Authorised Share Capital; and (vi) a notice convening the SGM is expected to be despatched to the Shareholders on or before 23 December 2011.

2. An SGM will be convened at which resolutions will be proposed to seek the Shareholders' approval of, among other things, (i) the Acquisition, (ii) the proposed Rights Issue and (iii) the Increase in Authorised Share Capital.

3. Prior to the commencement of the proposed Rights Issue, the Company will make a further announcement and issue the Prospectus, which will contain all relevant details of the proposed Rights Issue, including the definitive basis on which the Rights Shares are to be offered, the number of Rights Shares to be issued, the Subscription Price, the period of closure of the register of members, trading arrangements of the Rights Shares, trading arrangements of the rights to subscribe for the Rights Shares in nil-paid form, the arrangements for excess Rights Shares, the underwriting arrangements and the expected timetable of the proposed Rights Issue.

4. Prior to the commencement of the proposed Rights Issue, the Company will despatch the proposed Rights Issue Documents to each of the Qualifying Shareholders and, for information only, the Prospectus to each of the Non-Qualifying Shareholders (if any).

5. As completion of the Acquisition is conditional upon the approval and completion of the proposed Rights Issue and since both the Acquisition and the proposed Rights Issue are subject to the fulfillment of certain conditions, any of the Acquisition and the proposed Rights Issue may or may not proceed. Investors should exercise caution when dealing in the Shares and/or the Rights Shares. When in doubt, investors are recommended to consult their professional adviser(s).

DEFINITIONS

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

"Acquisition"	:	the acquisition of the equity interest in the Five Joint Ventures, namely Sinopec Corp.'s 50% equity interest in Ningbo Shihua, 50% equity interest in Qingdao Shihua, 50% equity interest in Tianjin Port Shihua, 50% equity interest in Rizhao Shihua and 90% equity interest in Tangshan Caofeidian Shihua, by Sinomart Development pursuant to the terms and conditions under the respective Acquisition Agreements and the transactions contemplated thereunder;
"Acquisition Agreements"	:	the Ningbo Shihua Acquisition Agreement, the Qingdao Shihua Acquisition Agreement, the Tianjin Port Shihua Acquisition Agreement, the Rizhao Shihua Acquisition Agreement and the Tangshan Caofeidian Shihua Acquisition Agreement;
"Associate(s)"	:	the meaning ascribed to it in the Listing Rules;
"Board"	:	the board of Directors;
"CAGR"	:	Compound Annual Growth Rate;
"the Company"	:	Sinopec Kantons Holdings Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
"Director(s)"	:	the directors of the Company;
"EAF(s)"	:	application form(s) for excess Rights Shares;
"EBITDA"	:	Earnings before interest, taxes, depreciation and amortisation;
"Five Joint Ventures"	:	collectively Ningbo Shihua, Qingdao Shihua, Tianjin Port Shihua, Rizhao Shihua and Tangshan Caofeidian Shihua;
"Five JV Partners"	:	collectively Ningbo Shihua JV Partner, Qingdao Shihua JV Partner, Tianjin Port Shihua JV Partner, Rizhao Shihua JV Partner and Tangshan Caofeidian Shihua JV Partner;
"Group"	:	the Company and its subsidiaries;

"HKFRS"	:	Hong Kong Financial Reporting Standards;
"Hong Kong"	:	the Hong Kong Special Administrative Region of the People's Republic of China;
"Huade"	:	Hua De Petrochemical Co., Ltd. (惠州市大亞灣華德石化有限公司), which is established under the laws of the PRC with limited liability, an indirect wholly owned subsidiary of the Company;
"Increase in Authorised Share Capital"	:	the proposed increase in the authorised share capital of the Company from HK$300,000,000 divided into 3,000,000,000 Shares to HK$1,000,000,000 divided into 10,000,000,000 Shares, by the creation of an additional 7,000,000,000 unissued Shares;
"Independent Board Committee"	:	an independent board committee of the Company constituted to consider the terms of the Acquisition Agreements and the proposed Rights Issue and to advise and make recommendations to the Independent Shareholders as to how to vote at the SGM on the ordinary resolutions regarding the Transactions. Mr. Wong Po Yan, Ms. Tam Wai Chu, Maria and Mr. Fong Chung, Mark have been appointed by the Board to serve as members of the Independent Board Committee;
"Independent Shareholders"	:	Shareholders other than the controlling shareholders of the Company, namely SKI, Sinopec Group Company, Sinopec Corp., Unipec and any of their respective Associates;
"Latest Practicable Date"	:	2 December 2011;
"Listing Committee"	:	the listing committee of the Stock Exchange;
"Listing Rules"	:	the Rules Governing the Listing of Securities on the Stock Exchange;
"Macau"	:	Macau Special Administrative Region of the People's Republic of China;
"Ningbo Shihua"	:	寧波實華原油碼頭有限公司 (Ningbo Shihua Crude Oil Terminal Company Limited*), a limited liability company established under the laws of the PRC, of which Sinopec Corp. and Ningbo Shihua JV Partner held 50% and 50% equity interest respectively as at the Latest Practicable Date;

"Ningbo Shihua Acquisition Agreement"	the equity transfer agreement dated 3 December 2011 entered into between Sinomart Development and Sinopec Corp. in relation to the acquisition of 50% equity interest in Ningbo Shihua;
"Ningbo Shihua JV Partner"	寧波港股份有限公司 (Ningbo Port Company Limited*), a third party independent of and not connected with the Company or any of its connected persons (as defined in the Listing Rules);
"Non-Qualifying Shareholder(s)"	the Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in such place;
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) (as shown in the register of members of the Company on the Record Date) outside Hong Kong;
"PAL(s)"	provisional allotment letter(s) to be issued in connection with the proposed Rights Issue;
"PRC"	the People's Republic of China, but for the purposes of this announcement only, excluding Hong Kong, Macau and Taiwan;
"Prospectus"	the prospectus in relation to the proposed Rights Issue to be issued by the Company and despatched to the Shareholders, which contains further details of the proposed Rights Issue;
"Qingdao Shihua"	青島實華原油碼頭有限公司 (Qingdao Shihua Crude Oil Terminal Company Limited*), a limited liability company established under the laws of the PRC, of which Sinopec Corp. and Qingdao Shihua JV Partner held 50% and 50% equity interest respectively as at the Latest Practicable Date;
"Qingdao Shihua Acquisition Agreement"	the equity transfer agreement dated 3 December 2011 entered into between Sinomart Development and Sinopec Corp. in relation to the acquisition of 50% equity interest in Qingdao Shihua;
"Qingdao Shihua JV Partner"	青島港(集團)有限公司 (Qingdao Port (Group) Company Limited*), a third party independent of and not connected with the Company or any of its connected persons (as defined in the Listing Rules);

"Qualifying Shareholder(s)"	:	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date;
"Record Date"	:	a date to be determined by the Board or its authorised person(s) by reference to which entitlements to the proposed Rights Issue are to be determined;
"Rights Issue"	:	the proposed issue of the Rights Shares by the Company on the basis of up to one (1) Rights Share for every one (1) existing Share held on the Record Date;
"Rights Issue Documents"	:	the Prospectus, the PAL(s) and the EAF(s);
"Rights Share(s)"	:	the new Shares to be allotted and issued by the Company to the Qualifying Shareholders under the proposed Rights Issue;
"Rizhao Shihua"	:	日照實華原油碼頭有限公司 (Rizhao Shihua Crude Oil Terminal Company Limited*), a limited liability company established under the laws of the PRC, of which Sinopec Corp. and Rizhou Shihua JV Partner held 50% and 50% of the equity interest as at the Latest Practicable Date;
"Rizhao Shihua Acquisition Agreement"	:	the equity transfer agreement dated 3 December 2011 entered into between Sinomart Development and Sinopec Corp. in relation to the acquisition of 50% equity interest in Rizhao Shihua;
"Rizhao Shihua JV Partner"	:	日照港集團有限公司 (Rizhao Port Group Company Limited*) (formerly known as 日照港(集團)有限公司 (Rizhao Port (Group) Company Limited*)), a third party independent of and not connected with the Company or any of its connected persons (as defined in the Listing Rules);
"SGM"	:	the special general meeting of the Company to be convened and held for the Shareholders to consider and approve (among other things), if thought fit, and the Acquisitions contemplated under the Transaction Documents and the proposed Rights Issue;
"Share(s)"	:	the ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	:	person(s) whose name(s) appear on the register of members as registered holder(s) of Share(s);

"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 is a wholly-owned subsidiary of the Company;
"Sinopec Corp."	:	中國石油化工股份有限公司(China Petroleum & Chemical Corporation), a joint-stock limited liability company incorporated in the PRC, the shares of which are listed on the stock exchanges of Hong Kong (stock code: 386), Shanghai (stock code: 600028), New York (stock code: SNP) and London (stock code: SNP);
"Sinopec Group"	:	Sinopec Group Company and its subsidiaries;
"Sinopec Group Company"	:	中國石油化工集團公司(China Petrochemical Corporation), a state-owned enterprise established under the laws of the PRC;
"SKI"	:	Sinopec Kantons International Limited, a limited liability company incorporated in the British Virgin Islands and is the immediate controlling Shareholder of the Company;
"Stock Exchange"	:	The Stock Exchange of Hong Kong Limited;
"Subscription Price"	:	the final subscription price for the Rights Shares to be offered pursuant to the proposed Rights Issue;
"subsidiary(ies)"	:	shall have the meaning ascribed to that term in the Listing Rules;
"Tangshan Caofeidian Shihua"	:	唐山曹妃甸實華原油碼頭有限公司(Tangshan Caofeidian Shihua Crude Oil Terminal Company Limited*), a limited liability company established under the laws of the PRC, of which Sinopec Corp. and Tangshan Caofeidian Shihua JV Partner held 90% and 10% equity interest respectively as at the Latest Practicable Date;
"Tangshan Caofeidian Shihua Acquisition Agreement"	:	the equity transfer agreement dated 3 December 2011 entered into between Sinomart Development and Sinopec Corp. in relation to the acquisition of 90% equity interest in Tangshan Caofeidian Shihua;
"Tangshan Caofeidian Shihua JV Partner"	:	唐山曹妃甸港口有限公司(Tangshan Caofeidian Port Company Limited*), a third party independent of and not connected with the Company or any of its connected persons (as defined in the Listing Rules);

"Target Equity Interests"	:	at the Latest Practicable Date, 50% equity interest in Ningbo Shihua, 50% equity interest in Qingdao Shihua, 50% equity interest in Tianjin Port Shihua, 50% equity interest in Rizhao Shihua and 90% equity interest held by Sinopec Corp.;
"Tianjin Port Shihua"	:	天津港實華原油碼頭有限公司(Tianjin Port Shihua Crude Oil Terminal Company Limited*), a limited liability company established under the laws of the PRC, of which Sinopec Corp. and Tianjin Port Shihua JV Partner held 50% and 50% equity interest respectively as at the Latest Practicable Date;
"Tianjin Port Shihua Acquisition Agreement"	:	the equity transfer agreement dated 3 December 2011 entered into between Sinomart Development and Sinopec Corp. in relation to the acquisition of 50% equity interest in Tianjin Port Shihua;
"Tianjin Port Shihua JV Partner"	:	天津港(集團)有限公司(Tianjin Port (Group) Company Limited*), a limited liability company incorporated in the PRC, a third party independent of and not connected with the Company or any of its connected persons (as defined in the Listing Rules);
"Transaction Documents"	:	collectively, the Acquisition Agreements and any ancillary document(s) or agreement(s) in relation thereto (including but not limited to a new joint venture agreement and new articles of association to be entered into with each of the Five JV Partners);
"Transactions"	:	collectively, the Acquisition and the proposed Rights Issue;
"Underwriter(s)"	:	the underwriter(s) to be appointed for the purposes of the underwriting arrangements for the proposed Rights Issue;
"Underwriting Agreement"	:	the underwriting agreement to be entered into between the Company and the Underwriter(s) in relation to the proposed Rights Issue;
"Unipec"	:	中國國際石油化工聯合有限公司(China International United Petroleum and Chemicals Co. Ltd.), a company established under the laws of the PRC with limited liability and a wholly owned subsidiary of Sinopec Corp.;
"VLCC"	:	Very Large Crude Carrier, a large marine vessel designed to carry 200,000 deadweight tonnes or more;

"Zhan Jiang Port Petrochemical Terminal Co."	:	湛江港石化碼頭有限責任公司(Zhan Jiang Port Petrochemical Terminal Co., Ltd.*) (formerly known as Zhan Jiang Port Petrochemical Jetty Co., Ltd.), a limited liability company incorporated in the PRC, which is held as to 50% by Sinomart Development, and 50% by 湛江港集團股份有限公司(Zhan Jiang Port (Group) Co., Ltd.*), a third party independent of and not connected with the Company or any of its connected persons (as defined in the Listing Rules);
"HK$" or "HKD"	:	Hong Kong dollar(s), the lawful currency of Hong Kong;
"RMB"	:	Renminbi, the lawful currency of the PRC; and
"%"	:	per cent.

In this announcement, unless otherwise indicated, amounts in Renminbi have been converted into Hong Kong dollars at the rate of HK$1 = RMB0.815 for 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, 3 December 2011

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 only*