TARGET

Intelligence Report

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**SINOPEC KANTONS HOLDINGS LTD:
ON SCANNING THE COMPANY'S STATISTICS,
MUCH MAY BE GLEANED, NO DOUBT, BUT
ONE IMPORTANT FACTOR, CLEARLY, IS ABSENT**

Senior Management of Sinopec Kantons Holdings Ltd (中石化冠德控股有限公司) (Code: 934, Main Board, The Stock Exchange of Hongkong Ltd) has omitted (either by accident or design) that the Ultimate Holding Company, claimed to be China Petrochemical Corporation (中國石油化工集團公司) – popularly known as '***Sinopec Group Company***' – is, in fact, legally and beneficially, the foremost equity holder.

At Pages 16 and 18 of the 2023 Annual Report, it is mentioned that China Petrochemical Corporation is the Controlling Shareholder of Sinopec Kantons Holdings Ltd.

However, the single, important shareholder that, in fact, holds the reins of power in the Company is The Government of The **P**eople's **R**epublic of **C**hina (**PRC**) via The State-Owned Assets Supervision and Administration Commission of The State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會).

Be that as it may, on or about Friday, April 12, 2024, Sinopec Kantons Holdings Ltd published and disseminated in The **H**ong**k**ong **S**pecial **A**dministrative **R**egion (**HKSAR**) of the PRC, the 2023 Annual Report with regard to the Financial Year, ended December 31, 2023.

The Chairman of the Board of Directors of the Company, today, is Mr Chen Yao Huan (陳堯煥), who, on Thursday, March 21, 2024, put pen to paper, inscribing three pages, under the heading, '***CHAIRMAN'S STATEMENT***.'

The following is a précis of Mr Chen Yao Huan's determinations in respect of the Company's activities, during the past 12 months:

> '*In 2023, the Board adhered to the established development strategy, strengthened risk management and control of safety and rectified hidden hazards, strived to reduce various operating costs, and positive results were achieved. In addition, the Group endeavoured to explore development opportunities and successfully expanded its core business of naphtha unloading and vessels chartering and logistics, so as to drive the*

*corporate sustainable development. For the year ended 31 December 2023 (the "**Year**" or "**Reporting Period**"), the Group recorded a revenue of approximately HK$610 million, representing a year-on-year decrease of approximately 1.01%. For the year ended 31 December 2023, the Company's profit for the Year was approximately HK$1,298 million, representing a year-on-year increase of approximately 222.47%, which translates into a profit attributable to the Company's equity holders of approximately HK52.23 cents per share. The main reasons for the significant increase in profit in the Reporting Period were: first, benefiting from the more favorable operating environment in the storage leasing market, Fujairah Oil Terminal FZC ("**FOT**"), a joint venture of the Company in the Middle East, and Vesta Terminal B.V. in Europe ("**Vesta**") generated a significant increase in investment return (excluding the valuation loss of Vesta mentioned below); second, the year-on-year increase in the interest rates on Hong Kong dollar and US dollar deposits resulted in a significant increase in the Group's finance income; third, in 2022, the Company recognised a valuation loss attributable to interests in Vesta of approximately HK$261 million and made a provision for interests in PT. West Point Terminal ("**PT West Point**") of approximately HK$630 million, resulting in a decrease in profit attributable to equity holders in 2022. Taking into account the Group's cash flow situation and future development needs, the Board recommended the payment of a cash dividend of HK25 cents per share for 2023 full year, and after deducting the interim cash dividend of HK10 cents per share paid, a final cash dividend of HK15 cents per share for 2023 is recommended, representing a year-on-year increase of 25.00% ...*

'*During the Reporting Period, the global oil storage market started lower before trending upwards, and the operating environment was relatively more favorable for the storage tank leasing business. FOT, a joint venture of the Company, has adopted a flexible strategy to continuously increase the level of rental rates and extend the contract periods while ensuring a 100% occupancy rate of storage tanks. In addition, FOT is constructing a pipeline network connecting the storage area to the very large crude carrier ("**VLCC**") terminal at the port, which is scheduled to put into use in the first half of 2024, which will have a positive effect on FOT's future revenue and profit scale. In 2023, FOT generated an investment return of approximately HK$105 million for the Company, representing a year-on-year increase of approximately 49.19%. In 2023, Vesta, a joint venture of the Company, further strengthened its market development efforts, and enhanced its overall operating performance with improvement in both tank occupancy rates and average rental level. During the Reporting Period, the operating environment for Vesta Terminal Tallinn ("**VTT**"), a company under Vesta in Estonia, continued to deteriorate due to geopolitical conflicts, the operating condition has not been effectively improved despite a series of efficiency enhancement and cost reduction measures of VTT being taken, and it is expected to continue to suffer losses in the future. At the end of 2023, Vesta entered into a sale and purchase agreement to sell all of its shares in VTT for a base consideration of EUR4.25 million. In 2023, Vesta achieved investment return of* *approximately HK$12.08 million for the Company. Vesta pays close attention to the trend of green energy transition and is exploring the feasibility of green ammonia unloading and storage projects with potential customers to promote business transformation and asset appreciation.*

'*In 2023, the Group announced further capital injection into China Energy Shipping Investment Co., Ltd.* (中國能源運輸投資有限公司) *("**CESI**") for design, construction, procurement and operation of three liquefied natural gas ("**LNG**") vessels, which will be leased to China Petroleum & Chemical Corporation ("**Sinopec Corp.**") on a long-term basis to meet its LNG transportation needs. During the Reporting Period, the eight LNG vessels under the Group had completed a total of 96 voyages, generating an investment return of approximately HK$79.02 million for the Company, representing a year-on-year decrease of approximately 31.89%. It was mainly due to the equipment failure of one of the LNG vessels at the end of the Year which resulted in additional tugboat leasing costs, related off-hire losses and incident investigation fees, etc.*

'*Looking ahead to 2024, with the continued weakness in the global economy, the sustaining monetary tightening cycle and escalating risks of geopolitical and electoral turmoil, resulting in the further increase in unpredictable factors. The domestic economy will continue its recovery growth. Yet the market demand is still inadequate, and it still has to overcome some underlying difficulties and challenges to maintain the upward trend. The …*