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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)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012**

The board (the “**Board**”) of directors (the “**Directors**”) of Sinopec Kantons Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011, as follows:

CONSOLIDATED INCOME STATEMENT – UNAUDITED*for the six months ended 30 June 2012**(Expressed in Hong Kong dollars)*

		Six months ended 30 June	
	<i>Note</i>	2012	2011
		\$'000	\$'000
Turnover	3	11,702,020	9,882,456
Cost of sales		<u>(11,523,937)</u>	<u>(9,713,278)</u>
Gross profit		178,083	169,178
Other revenue		16,816	6,983
Other net (loss)/income		(3,106)	16,954
Distribution costs		(5,001)	(2,901)
Administrative expenses		<u>(14,185)</u>	<u>(21,424)</u>
Profit from operations		172,607	168,790
Finance costs	<i>4(a)</i>	(1,221)	(1,382)
Share of profit of an associate		<u>47,113</u>	<u>—</u>
Profit before taxation	4	218,499	167,408
Income tax	5	<u>(40,926)</u>	<u>(36,623)</u>
Profit for the period		<u>177,573</u>	<u>130,785</u>
Basic and diluted earnings per share	7	<u>10.50 cents</u>	<u>10.68 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED*for the six months ended 30 June 2012**(Expressed in Hong Kong dollars)*

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Profit for the period	177,573	130,785
Other comprehensive income for the period <i>(Note):</i>		
Exchange differences on translation of financial statements of the subsidiary in the People's Republic of China (the "PRC")	(10,119)	46,835
Exchange differences on translation of associate's share of net assets	(257)	—
Total comprehensive income for the period	167,197	177,620

Note: The component of other comprehensive income does not have any tax effect for the six months ended 30 June 2012 and 2011.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – UNAUDITED

at 30 June 2012

(Expressed in Hong Kong dollars)

		At 30 June 2012 \$'000	At 31 December 2011 \$'000
	<i>Note</i>		
Non-current assets			
Fixed assets			
– Property, plant and equipment		1,772,493	1,783,062
– Investment properties		15,896	32,356
– Interest in leasehold land held for own use under operating leases		76,732	79,209
Interest in associates		465,886	419,030
		<u>2,331,007</u>	<u>2,313,657</u>
Current assets			
Inventories		43,306	41,588
Trade and other receivables	8	613,215	1,083,095
Tax recoverable		4,955	4,955
Cash and cash equivalents		3,651,842	771,753
		<u>4,313,318</u>	<u>1,901,391</u>
Current liabilities			
Trade and other payables	9	208,589	1,112,785
Interest-bearing borrowings		–	267,228
Current taxation		19,131	9,453
		<u>227,720</u>	<u>1,389,466</u>
Net current assets		<u>4,085,598</u>	<u>511,925</u>
Total assets less current liabilities		<u>6,416,605</u>	<u>2,825,582</u>
Non-current liabilities			
Deferred tax liabilities		2,356	–
NET ASSETS		<u>6,414,249</u>	<u>2,825,582</u>
CAPITAL AND RESERVES			
Share capital		207,366	103,683
Reserves		6,206,883	2,721,899
TOTAL EQUITY		<u>6,414,249</u>	<u>2,825,582</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1 Basis of preparation

The interim results set out in this announcement do not constitute the Group's interim financial report for the six months ended 30 June 2012 ("**interim financial report**"), but are extracted from the interim financial report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"), including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA, whose review report is included in the interim report to be sent to shareholders. In addition, the interim financial report has been reviewed by the Company's Audit Committee.

2 Changes in accounting policies

The HKICPA has issued a few amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") that are first effective for the current accounting period of the Group. These developments have had no material impact on the Group's interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Turnover and segment reporting

The Group manages its businesses by divisions, which are organised by its business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments, namely, trading of crude oil, rendering of crude oil jetty services and rendering of vessel charter services. No operating segments have been aggregated to form the following reportable segments.

- Trading of crude oil: this segment trades crude oil. Currently, the majority of the trading activities are carried out in Hong Kong and the PRC.
- Crude oil jetty services: this segment provides crude oil transportation, unloading, storage and other jetty services for oil tankers. Currently, the Group's activities in this regard are carried out in the PRC.
- Vessel charter services: this segment provides vessel chartering for crude oil transportation and floating oil storage facilities for oil traders. Currently, the Group's activities in this regard are carried out in the Middle East and the PRC.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reporting segment on the following basis:

Segment assets include all tangible assets and current assets with the exception of investment properties, interest in associates, deferred tax assets, tax recoverable and other corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and interest-bearing borrowings managed directly by the segments.

3 Turnover and segment reporting (continued)

(a) Segment results, assets and liabilities

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment crude oil jetty services, assistance provided by one segment to another, including sharing of assets, is not measured.

The measure used for reporting segment profit is “segment operating profit”. Segment operating profit includes the operating profit generated by the segment and finance costs directly attributable to the segment. Items that are not specifically attributed to individual segments, such as unallocated other revenue, unallocated other net income, unallocated depreciation and amortisation, unallocated finance costs and other corporate expenses are excluded from segment operating profit.

The unallocated income, expenses, assets and liabilities are disclosed in the reconciliation of reportable segment revenue, profit or loss, assets and liabilities in note 3(b) to this interim financial information.

In addition to receiving segment information concerning segment operating profit, management is also provided with segment information concerning revenue, interest income, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations. Inter-segment revenue is priced with reference to prices charged to external parties for similar orders.

3 Turnover and segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

For the six months ended 30 June	Trading of crude oil		Crude oil jetty services		Vessel charter services		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Revenue from external customers	11,111,536	9,529,185	317,903	292,193	272,581	61,078	11,702,020	9,882,456
Inter-segment revenue	–	–	2,190	685	–	–	2,190	685
Reportable segment revenue	11,111,536	9,529,185	320,093	292,878	272,581	61,078	11,704,210	9,883,141
Reportable segment (loss)/profit	(3,559)	493	153,481	144,855	3,726	3,316	153,648	148,664
Interest income	–	–	457	117	–	–	457	117
Finance costs	(265)	(27)	–	–	(265)	(198)	(530)	(225)
Depreciation and amortisation for the period	(346)	(74)	(90,406)	(89,029)	(345)	(538)	(91,097)	(89,641)
Additions to non-current segment assets during the period	47	3	67,994	54,070	47	22	68,088	54,095
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	10,500	517,464	2,337,796	2,786,333	160,586	92,094	2,508,882	3,395,891
Reportable segment liabilities	87,204	542,467	34,088	450,685	90,440	121,245	211,732	1,114,397

3 Turnover and segment reporting (continued)

(b) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Revenue		
Reportable segment revenue	11,704,210	9,883,141
Elimination of inter-segment revenue	(2,190)	(685)
Consolidated turnover	<u>11,702,020</u>	<u>9,882,456</u>
Profit		
Reportable segment profit	153,648	148,664
Elimination of inter-segment profit	(1,113)	(356)
Reportable segment profit derived from the Group's external customers	152,535	148,308
Unallocated other revenue and net income	11,388	23,820
Unallocated depreciation and amortisation	(57)	(104)
Unallocated finance costs	(691)	(1,157)
Unallocated other corporate income/(costs)	8,211	(3,459)
Share of profit from an associate	47,113	—
Consolidated profit before taxation	<u>218,499</u>	<u>167,408</u>
	At	At
	30 June	31 December
	2012	2011
	\$'000	\$'000
Assets		
Reportable segment assets	2,508,882	3,395,891
Elimination of inter-segment receivables	(1,422)	—
	<u>2,507,460</u>	<u>3,395,891</u>
Unallocated corporate assets	4,136,865	819,157
Consolidated total assets	<u>6,644,325</u>	<u>4,215,048</u>
Liabilities		
Reportable segment liabilities	211,732	1,114,397
Elimination of inter-segment payables	(1,422)	—
	<u>210,310</u>	<u>1,114,397</u>
Unallocated corporate liabilities	19,766	275,069
Consolidated total liabilities	<u>230,076</u>	<u>1,389,466</u>

3 Turnover and segment reporting (continued)

(c) Geographic information

In view of the fact that substantially all the Group's revenue was generated from customers operating in the PRC and substantially all segment assets and capital expenditure are in the PRC, no geographic segment information is presented.

4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
(a) Finance costs		
Interest expenses on bank and other borrowings wholly repayable within five years	1,221	1,382
(b) Other items		
Interest income	(16,283)	(4,510)
Net foreign exchange loss/(gain)	3,004	(17,067)
Depreciation and amortisation	91,154	89,745
Operating lease charges		
– property rentals	1,686	1,672
– hire of vessels	114,917	20,589

5 Income tax

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Current tax – PRC Corporate Income Tax		
Provision for the period	38,154	37,804
Under-provision in respect of prior years	416	524
	38,570	38,328
Deferred taxation		
Origination and reversal of temporary differences	2,356	(1,705)
	40,926	36,623

No Hong Kong Profits Tax provision has been made as the Group's subsidiaries in Hong Kong sustained adjusted losses during the six months ended 30 June 2011 and 2012. Taxation for the PRC and overseas subsidiaries are charged at the appropriate current rates of taxation prevailing in the relevant countries.

5 Income tax (continued)

Pursuant to the notice on the Implementation Rules of the Grandfather Relief under the PRC Corporate Income Tax Law, Guofa (2007) No. 39, issued on 26 December 2007 by the State Council, the applicable income tax rate for the Group's foreign-invested enterprise in the PRC (the "PRC subsidiary") is 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

As at 30 June 2012, temporary differences relating to the undistributed earnings of the PRC subsidiary amounted to \$805,958,000 (31 December 2011: \$692,160,000). Deferred tax liabilities of \$80,596,000 (31 December 2011: \$69,216,000) have not been recognised in respect of the PRC dividend withholding tax at 10% (or 5% should treaty benefit be applicable) that would be payable on the distribution of these retained earnings as the Company controls the dividend policy of the PRC subsidiary and the Directors have determined that its post-2007 profits are not likely to be distributed in the foreseeable future.

6 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the interim period

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Interim dividend declared after the interim period, of 1.5 cents (2011: 1.5 cents) per ordinary share	<u>31,105</u>	<u>15,552</u>

The interim dividend has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of 2.0 cents (six months ended 30 June 2011: 2.0 cents) per ordinary share	<u>41,473</u>	<u>20,737</u>

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholder of the Company of \$177,573,000 (six months ended 30 June 2011: \$130,785,000) and the weighted average of 1,691,091,000 ordinary shares (six months ended 30 June 2011: 1,224,543,000 shares after adjusting for rights issue on 22 March 2012) in issue throughout the period, calculated as follows:

Weighted average number of ordinary shares

	2012 \$'000	2011 \$'000
Issued ordinary shares at 1 January	1,036,830	1,036,830
Effect of rights issue	654,261	187,713
Weighted average number of ordinary shares at 30 June	1,691,091	1,224,543

Diluted earnings per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in issue in the current and prior periods.

8 Trade and other receivables

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Trade receivables		
– Amounts due from intermediate holding company and fellow subsidiaries	582,846	561,107
– Third parties	–	1,864
	582,846	562,971
	-----	-----
Other receivables and prepayments		
– Amounts due from intermediate holding company and fellow subsidiaries	289	314
– Third parties	30,080	519,810
	30,369	520,124
	-----	-----
	613,215	1,083,095

All of the trade and other receivables are expected to be recovered within one year.

8 Trade and other receivables (continued)

The amounts due from the intermediate holding company and fellow subsidiaries are unsecured and interest free. The amounts due from the intermediate holding company and fellow subsidiaries arising from trade-related transactions and non-trade related transactions are repayable with a credit term of 30 to 90 days and repayable on demand respectively.

Ageing analysis

Included in trade and other receivables are trade debtors and amounts due from the intermediate holding company and fellow subsidiaries arising from trade-related transactions with the following ageing analysis as at the end of the reporting period:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Current	168,628	106,465
Less than 1 month past due	104,034	51,588
1 to 3 months past due	153,091	51,040
More than 3 months past due but less than 12 months past due	157,093	353,878
Amounts past due	414,218	456,506
	582,846	562,971

Trade debtors, including amounts due from the intermediate holding company, fellow subsidiaries and third parties, are due within 30 to 90 days from the date of billing.

9 Trade and other payables

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Trade payables		
– Amount due to a fellow subsidiary	66	66
– Third parties	4,725	20,005
	<u>4,791</u>	<u>20,071</u>
Amounts due to immediate and intermediate holding companies and fellow subsidiaries	92,698	613,884
Creditors and accrued charges	69,627	71,500
Consideration payable to acquire equity interest in an associate	–	407,330
Dividend payable	41,473	–
	<u>208,589</u>	<u>1,112,785</u>

All of the trade and other payables are expected to be settled within one year.

The amounts due to immediate and intermediate holding companies and fellow subsidiaries are unsecured and interest free. The amounts due to immediate and intermediate holding companies and fellow subsidiaries arising from trade-related transactions and non-trade related transactions are repayable with a credit term of 30 days and repayable on demand respectively.

Included in trade and other payables are trade creditors and amounts due to a fellow subsidiary arising from trade-related transactions with the following ageing analysis as of the end of the reporting period:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Due within 1 month or on demand	4,791	20,005
Due after 1 month but within 3 months	–	66
	<u>4,791</u>	<u>20,071</u>

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK1.5 cents per share to shareholders whose names appear on the register of members of the Company on 21 September 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 September 2012 (Monday) to 21 September 2012 (Friday) (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend, all share transfers, accompanied by relevant share certificates, must be lodged with Tricor Secretaries Limited, the share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 14 September 2012 (Friday). The cheques for dividend payment will be sent on 18 October 2012 (Thursday).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the first half of 2012, the persisting and extended European debt crisis and the upsurge of inflation in the emerging markets plunged the global economy into a more severe situation. The average spot price of Brent crude oil was approximately US\$113.61/barrel for the first half of 2012, representing an increase of approximately 2.1% as compared with the same period last year. Faced with ever-changing market complexities, the Board, whilst staying alert to market fluctuations, adhered to its strategy of pursuing scientific development, internal improvement and external expansion. It adopted dedicated and effective measures to overcome difficulties in respect of its operations and project development and to optimize and strengthen operating process and management, in order to continue the Company's development into a world-class petrochemical storage and logistics company. As a result, the Group recorded a turnover amounting to approximately HK\$11,702,020,000 for the first half of 2012, which represented an increase of approximately 18.4% as compared with the same period last year. Benefiting from profit contributed by Zhan Jiang Port Petrochemical Terminal Co., Ltd., a newly acquired joint venture of the Company, operating results improved significantly and profit attributable to shareholders for the first half of 2012 amounted to approximately HK\$177,573,000, representing an increase of approximately 35.77% as compared with the same period's development last year.

Following the approvals given by the shareholders at the special general meeting of the Company at the end of last year on the acquisition of equity interests in five joint ventures of crude oil terminals owned by China Petroleum & Chemical Corporation ("Sinopec") and on the rights issue proposal, the Company, with the general support of its shareholders, executed the rights issue in due course. Due to its benefits for the long term development and interests of the Company and its shareholders, the rights issue was a great success and was over-subscribed by 500%. Through the rights issue, not only did the Company raise approximately HK\$3.5 billion to finance the above-mentioned acquisition and for its future development, the liquidity of the shares of the Company was significantly improved as well.

During the first half of 2012, all staff of the Company committed to further expanding its core businesses by adhering to the development strategy determined by the Board. Utmost efforts have been made to push forward all the storage and logistics projects and satisfactory results have been obtained. At the same time, the Company has, through its wholly-owned subsidiary Sinomart KTS Development Limited, entered into an agreement to acquire 50% equity interest in Fujairah Oil Terminal FZC in the United Arab Emirates. With its unique strategic location, Fujairah is one of the most significant distributing centers in the world for oil products. Fujairah Oil Terminal FZC has plans to invest in the construction of a local storage facility with a capacity of approximately 1.12 million m³ for crude oil and oil products, and is expecting a highly profitable return. This equity acquisition is the Company's first milestone in developing its overseas storage and logistics business and is of great significance for further strengthening and expanding such businesses. Furthermore, following the establishment of a joint venture between the Group and China Shipping Group Gas Investment Co. Ltd. for the transportation of approximately 4.3 million tonnes of LNG under the Australia Pacific LNG project, the Company re-adjusted the related feasibility study and its future operations plan to cater for an increased transportation volume under such project from approximately 4.3 million tonnes to approximately 7.6 million tonnes. According to the latest plan, the number of LNG vessels to be built under this project will increase from 5 to 8. In addition, with regard to the Group's joint venture project to build crude oil storage facilities of approximately 2.6 million m³ in Indonesia, the parties are still in the course of discussion and have made progress in negotiations during the first half of this year.

During the first half of 2012, in addition to the delightful results in developing petrochemical storage and logistics projects, the Group also witnessed remarkable performance in its daily operations. For example, Huade Petrochemical unloaded a total of 42 oil tankers amounting to approximately 6.37 million tonnes of crude oil, reflecting an increase of approximately 10.8% as compared with the same period last year. It also transported approximately 6.32 million tonnes of crude oil, reflecting an increase of approximately 10.30% over the same period last year, and realized a segment profit of approximately HK\$153,481,000, an increase of approximately 5.95% as compared with the same period last year. During the first half of 2012, revenue of Sinomart KTS Development Limited amounted to approximately HK\$11,384,117,000, of which approximately HK\$11,111,536,000 was derived from trading approximately 1.63 million tonnes of crude oil and approximately HK\$272,581,000 was derived from 7 chartered voyages.

In the second half of this year, the Company will continue to strengthen its meticulous management to secure stable business operations. While making strenuous efforts to reach its annual targets, the Company will aggressively and innovatively strive for new achievements in its continued endeavor to develop storage and logistics projects so as to further improve performance and enhance the Company's comprehensive capability, profitability and sustainability.

LIQUIDITY AND SOURCES OF FINANCE

As at 30 June 2012, cash on hand and bank balances of the Group totalled approximately HK\$3,651,842,000 (31 December 2011: HK\$771,753,000) and interest-bearing borrowings were HK\$Nil (31 December 2011: HK\$267,228,000). The significant increase in cash on hand and bank balances and the decrease in interest-bearing borrowings were both due to a considerable amount of capital raised by the rights issue in the first half of 2012.

INTEREST IN ASSOCIATES

As at 30 June 2012, the Group's interest in associates amounted to approximately HK\$465,886,000 (31 December 2011: HK\$419,030,000), consisting of 50% equity in Zhan Jiang Port Petrochemical Terminal Co., Ltd. acquired and 30% equity in East China LNG Shipping Investment Co., Ltd. held.

GEARING RATIO

As at 30 June 2012, the Group's current ratio (current assets to current liabilities) was approximately 18.9 (31 December 2011: 1.37) and gearing ratio (total liabilities to total assets) was approximately 3.5% (31 December 2011: 33.0%). The substantial improvement in current ratio and gearing ratio were due to the considerable amount of capital raised by the rights issue in the first half of 2012.

TRADE AND OTHER RECEIVABLES

As at 30 June 2012, the Group's trade and other receivables were approximately HK\$613,215,000 (31 December 2011: HK\$1,083,095,000). The decrease in trade and other receivables was mainly due to the efforts of the Group in demanding repayment of trade payment in its crude oil trading business.

TRADE AND OTHER PAYABLES

As at 30 June 2012, the Group's trade and other payables were approximately HK\$208,589,000 (31 December 2011: HK\$1,112,785,000).

SHARE CAPITAL

As at 30 June 2012, the Company's share capital amounted to approximately HK\$207,366,000 (31 December 2011: HK\$103,683,000). The increase was due to the execution of the rights issue in ratio of 1:1 in the first half of 2012.

RESERVES

As at 30 June 2012, the Company's reserves amounted to approximately HK\$6,206,883,000 (31 December 2011: HK\$2,721,899,000). The significant increase was mainly due to the issue of 1,036,830,000 new shares with nominal value of HK\$0.1 each at an issue price of HK\$3.37 per share by the Company in the first half of 2012, where all premium of the issue price over the nominal value, less the share issuance costs, was included in reserves.

TURNOVER

As at 30 June 2012, the Group's turnover was approximately HK\$11,702,020,000 (30 June 2011: HK\$9,882,456,000). The significant increase in turnover was mainly due to increases in both average crude oil price and trading volume in crude oil trading business in the first half of 2012 as compared with the same period last year.

OTHER REVENUE

As at 30 June 2012, the Group's other revenue amounted to approximately HK\$16,816,000 (30 June 2011: HK\$6,983,000), most of which was attributable to interest income. The significant increase was mainly due to bank deposit arising from a considerable amount of capital raised by the rights issue executed in the first half of 2012.

SHARE OF PROFIT OF AN ASSOCIATE

As at 30 June 2012, the Group's share of profit of an associate amounted to approximately HK\$47,113,000 (30 June 2011: HK\$Nil), all of which represented return on 50% equity held in Zhan Jiang Port Petrochemical Terminal Co., Ltd..

PROFIT FOR THE PERIOD

As at 30 June 2012, the Group recorded a profit amounting to approximately HK\$177,573,000 (as at 30 June 2011: HK\$130,785,000), representing an increase of approximately 35.8% as compared to the same period last year. The substantial increase in profit was due to the fact that the Group acquired 50% equity interest in Zhan Jiang Port Petrochemical Terminal Co., Ltd. Pursuant to the acquisition agreement the Group was entitled to the profit generated from Zhan Jiang Port Petrochemical Terminal Co., Ltd. since 1 January 2012.

FOREIGN CURRENCY RISK

As at 30 June 2012, the Group held approximately RMB1,822 million in cash which was intended to be used to settle the consideration for the acquisition of the equity of the five crude oil terminal joint ventures from Sinopec. Prior to the due payment of the abovementioned cash amount denominated in RMB as the consideration for the acquisition, the Group may incur a certain amount of foreign exchange losses along with the changes in exchange rate of RMB against Hong Kong dollars. Save for the above, each entity within the Group was not exposed to significant foreign exchange risk.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2012, the Group had a total of 204 employees. Remuneration packages, including basic salaries, bonuses and benefits-in-kind, are structured by reference to market terms, trends of human resources costs and employees' contributions in various regions based on performance appraisals. Subject to the profit of the Group and the performance of the employees, the Group may also provide discretionary bonuses to its employees as an incentive for their continued contribution.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2012, none of the Directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) (“SFO”)), which is required to be recorded in the register kept under section 352 of the SFO or otherwise required to be notified by Directors and the chief executive of the Company to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers set forth in Appendix 10 of the Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors are not aware of any person (other than Directors and chief executive of the Company) who, as at 30 June 2012, had interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of ordinary shares	Capacity	Percentage of the issued share capital of the Company
Sinopec Kantons International Limited	Corporate	1,500,000,000	Beneficial	72.34%

Note: The entire issued share capital of Sinopec Kantons International Limited is held by China International United Petroleum & Chemical Co., Ltd. (“**Unipec**”). The controlling interest in the registered capital of Unipec is held by Sinopec, a subsidiary of China Petrochemical Corporation.

CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions of the Code on Corporate Governance Practices (the “**Code**”) in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2012.

RIGHTS ISSUE

According to the rights issue scheme approved at the special general meeting of the Company convened on 31 December 2011, the Company completed the rights issue in a ratio of 1:1 on 22 March 2012 and 1,036,830,000 new shares were issued in the rights issue and listed on the Stock Exchange for dealing on 26 March 2012.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SHARES

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2012.

SHARE OPTION SCHEME

Currently, the Company has not adopted any share option scheme.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of financial reports. The Audit Committee has reviewed the unaudited interim financial report for the six months ended 30 June 2012.

REMUNERATION COMMITTEE

The Remuneration Committee has been established in accordance with the requirements of the Code. The Remuneration Committee comprises three independent non-executive Directors and two executive Directors, of which one of the independent non-executive Directors was appointed as the chairperson of the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee has been established in accordance with the requirements of the Code. The Nomination Committee comprises three independent non-executive Directors and two executive Directors, of which one of the independent non-executive Directors was appointed as the chairperson of the Nomination Committee.

CODE FOR SECURITIES TRANSACTIONS

In respect of the securities transaction conducted by the Directors, the Company has adopted its own Code for Securities Transactions by Directors on terms no less exacting than the required standards set out in the Model Code on Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules.

For the six months ended 30 June 2012, all the Directors confirmed that they have met with the standards of the Model Code on Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company has maintained the minimum amount of public float as required under the Listing Rules throughout the six months ended 30 June 2012.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The financial and other data as required by Section 46 set out in the Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company's website (<http://www.sinopec.com.hk>). The interim report will be dispatched to the shareholders and made available on the same websites in due course.

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

Hong Kong, 17 August 2012

As at the date of the announcement, the Board of Directors of the Company comprises the following:

Executive Directors

Mr. Dai Zhao Ming (*Chairman*)
Mr. Zhu Zeng Qing (*Deputy Chairman*)
Mr. Zhu Jian Min
Mr. Tan Ke Fei
Mr. Zhou Feng
Mr. Ye Zhi Jun (*Managing Director*)

Independent Non-Executive Directors

Mr. Wong Po Yan
Ms. Tam Wai Chu, Maria
Mr. Fong Chung, Mark

* *For identification purposes only*