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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 INTERIM RESULTS

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 2014 together with the comparative figures for the corresponding period in 2013, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

		Six months ended 30 June	
	Note	2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	3,510,630	13,049,149
Cost of sales		(3,357,319)	(12,978,003)
Gross profit		153,311	71,146
Other income and other gains – net		12,074	52,432
Distribution costs		(15,209)	(9,313)
Administrative expenses		(41,226)	(65,840)
Operating profit	5	108,950	48,425
Finance income		2,982	6,897
Finance costs		–	(3,807)
Finance income – net		2,982	3,090
Share of results of:			
– Associated companies		56,383	63,586
– Joint ventures		260,363	165,902
Profit before income tax		428,678	281,003
Income tax expenses	6	(51,656)	(50,172)
Profit for the period		377,022	230,831
Profit attributable to:			
Equity holders of the Company		377,284	230,864
Non-controlling interest		(262)	(33)
		377,022	230,831
Basic earnings per share for			
profit attributable to equity holders of the			
Company (expressed in HK cents per share)	8	15.18	10.52
Interim dividend	7	62,154	37,292

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	377,022	230,831
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on currency translation:		
– Subsidiaries	(22,006)	47,148
– Associated companies	(5,683)	9,286
– Joint ventures	(40,223)	53,490
Other comprehensive income for the period, net of tax	(67,912)	109,924
Total comprehensive income for the period	309,110	340,755
Total comprehensive income attributable to:		
Equity holders of the Company	309,372	340,788
Non-controlling interest	(262)	(33)
Total comprehensive income for the period	309,110	340,755

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Note</i>	As at 30 June 2014 <i>HK\$'000</i> (Unaudited)	As at 31 December 2013 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		1,893,216	1,958,211
Investment properties		14,581	14,910
Prepaid land lease payment		715,369	724,018
Interests in associated companies		682,356	617,864
Interests in joint ventures		5,906,671	5,475,680
Total non-current assets		9,212,193	8,790,683
Current assets			
Inventories		19,634	47,108
Trade, bills and other receivables	9	465,491	730,367
Cash and cash equivalents		1,304,883	1,622,454
Total current assets		1,790,008	2,399,929
Total assets		11,002,201	11,190,612
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		248,616	248,616
Reserves		9,857,624	9,597,975
Equity attributable to equity holders of the Company		10,106,240	9,846,591
Non-controlling interest		38,618	9,630
Total equity		10,144,858	9,856,221

		As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		95,228	97,582
		-----	-----
Current liabilities			
Trade and other payables	10	740,632	1,223,410
Income tax payable		21,483	13,399
		-----	-----
Total current liabilities		762,115	1,236,809
		-----	-----
Total liabilities		857,343	1,334,391
		=====	=====
Total equity and liabilities		11,002,201	11,190,612
		=====	=====
Net current assets		1,027,893	1,163,120
		=====	=====
Total assets less current liabilities		10,240,086	9,953,803
		=====	=====

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Sinopec Kantons Holdings Limited (the “Company”) is a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The addresses of its registered office and principal place of business are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 34/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong respectively.

The Company and its subsidiaries (collectively the “Group”) are principally engaged in the trading of crude oil and oil products, the operation of crude oil and oil products terminals and their ancillary facilities, provision of logistics services including storage, logistics, transportation and terminal services and the distribution of oil and oil products and international logistics agency services on global basis.

The condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved by the board of directors for issue on 21 August 2014.

The condensed consolidated interim financial information has been reviewed, not audited.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

Certain comparative figures have been reclassified to conform to the presentation of the current period.

3 ACCOUNTING POLICIES

This condensed consolidated interim financial information has been prepared under the historical cost convention.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

There are no amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

4 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 People's Republic of China (the "PRC").
- Crude oil jetty services: this segment provides crude oil transportation, unloading, storage and other jetty services for oil tankers. Currently, these Group's activities in this regard are carried out in the PRC and overseas.
- 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 are mainly 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 consist primarily of property, plant and equipment, certain prepaid land lease payment, inventories and trade, bills and other receivables. Segment liabilities consist primarily of trade and other payables.

(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 the share of assets are included as unallocated income/costs.

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 income, unallocated other finance income, unallocated depreciation and amortisation, unallocated finance costs, share of results of associated companies and joint ventures and other corporate costs or income are excluded from segment operating profit.

In addition to receiving segment information concerning segment operating profit, management is also provided with segment information concerning revenue, interest income from bank deposits, finance costs, depreciation and amortisation and capital expenditures used by the segments in their operations. Inter-segment revenue is priced with reference to prices charged to external parties for similar orders.

4 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 as follows:

(i) As at and for the six months ended 30 June 2014:

	Trade of crude oil HK\$'000 (Unaudited)	Crude oil jetty services HK\$'000 (Unaudited)	Vessel charter services HK\$'000 (Unaudited)	Inter-segment elimination HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue and results					
Segment revenue	2,999,850	313,424	198,029	(673)	3,510,630
Inter-segment revenue	—	(673)	—	673	—
Revenue	<u>2,999,850</u>	<u>312,751</u>	<u>198,029</u>	<u>—</u>	<u>3,510,630</u>
Segment results	(9,922)	139,597	(12,096)	—	117,579
Share of results of associated companies					56,383
Share of results of joint ventures					260,363
Unallocated other corporate income					<u>(5,647)</u>
Profit before income tax					428,678
Income tax expenses					<u>(51,656)</u>
Profit for the period					<u>377,022</u>
	Trade of crude oil HK\$'000 (Unaudited)	Crude oil jetty services HK\$'000 (Unaudited)	Vessel charter services HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Other segment items					
Interest income from bank deposits	6,159	207	6,159	396	12,921
Depreciation and amortisation	<u>(358)</u>	<u>(90,387)</u>	<u>(357)</u>	<u>(122)</u>	<u>(91,224)</u>

4 SEGMENT REPORTING (CONTINUED)

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

(i) As at and for the six months ended 30 June 2014 (continued):

	Trade of crude oil <i>HK\$'000</i> (Unaudited)	Crude oil jetty services <i>HK\$'000</i> (Unaudited)	Vessel charter services <i>HK\$'000</i> (Unaudited)	Inter-segment elimination <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Assets					
Segment assets	48,558	2,321,889	61,562	–	2,432,009
Unallocated assets					
– Cash and cash equivalents					1,304,883
– Investment properties					14,581
– Interests in associated companies					682,356
– Interests in joint ventures					5,906,671
– Prepaid land lease payment					661,701
Total assets					11,002,201
Liabilities					
Segment liabilities	223,878	52,550	223,878	–	500,306
Unallocated liabilities					
– Trade and other payables					261,809
– Deferred tax liabilities					95,228
Total liabilities					857,343
Capital expenditures	18	21,392	19	–	21,429

4 SEGMENT REPORTING (CONTINUED)

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

(ii) As at 31 December 2013 and for the six months ended 30 June 2013:

	Trade of crude oil <i>HK\$'000</i> (Unaudited)	Crude oil jetty services <i>HK\$'000</i> (Unaudited)	Vessel charter services <i>HK\$'000</i> (Unaudited)	Inter-segment elimination <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue and results					
Segment revenue	12,610,643	268,993	170,968	(1,455)	13,049,149
Inter-segment revenue	—	(1,455)	—	1,455	—
Revenue	<u>12,610,643</u>	<u>267,538</u>	<u>170,968</u>	<u>—</u>	<u>13,049,149</u>
Segment results	(17,795)	99,477	(80,183)	—	1,499
Share of results of associated companies					63,586
Share of results of joint ventures					165,902
Unallocated other corporate income					<u>50,016</u>
Profit before income tax					281,003
Income tax expenses					<u>(50,172)</u>
Profit for the period					<u>230,831</u>
	Trade of crude oil <i>HK\$'000</i> (Unaudited)	Crude oil jetty services <i>HK\$'000</i> (Unaudited)	Vessel charter services <i>HK\$'000</i> (Unaudited)	Unallocated <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Other segment items					
Interest income from bank deposits	—	126	—	28,274	28,400
Finance costs	(1,904)	—	(1,903)	—	(3,807)
Depreciation and amortisation	<u>(351)</u>	<u>(86,561)</u>	<u>(351)</u>	<u>(128)</u>	<u>(87,391)</u>

4 SEGMENT REPORTING (CONTINUED)

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

(ii) As at 31 December 2013 and for the six months ended 30 June 2013: (continued)

	Trade of crude oil <i>HK\$ '000</i> (Audited)	Crude oil jetty services <i>HK\$ '000</i> (Audited)	Vessel charter services <i>HK\$ '000</i> (Audited)	Inter-segment elimination <i>HK\$ '000</i> (Audited)	Total <i>HK\$ '000</i> (Audited)
Assets					
Segment assets	98,976	2,561,295	139,409	–	2,799,680
Unallocated assets					
– Cash and cash equivalents					1,622,454
– Investment properties					14,910
– Interests in associated companies					617,864
– Interests in joint ventures					5,475,680
– Prepaid land lease payment					660,024
Total assets					<u><u>11,190,612</u></u>
Liabilities					
Segment liabilities	351,891	251,037	351,890	–	954,818
Unallocated liabilities					
– Trade and other payables					281,991
– Deferred tax liabilities					97,582
Total liabilities					<u><u>1,334,391</u></u>
Capital expenditures	<u><u>66</u></u>	<u><u>85,632</u></u>	<u><u>67</u></u>	<u><u>–</u></u>	<u><u>85,765</u></u>

4 SEGMENT REPORTING (CONTINUED)

(b) Analysis of information by geographical regions

Revenue

The Group's revenue for reportable segments was solely from external customers and is attributable to the PRC markets.

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Non-current assets		
– Hong Kong	330,882	243,063
– The PRC	6,116,197	5,942,116
– Other countries	2,765,114	2,605,504
	<u>9,212,193</u>	<u>8,790,683</u>
	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Total assets		
– Hong Kong	1,221,740	1,843,937
– The PRC	6,641,066	6,711,757
– Other countries	3,139,395	2,634,918
	<u>11,002,201</u>	<u>11,190,612</u>
	Six months ended 30 June 2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Capital expenditures		
– Hong Kong	37	133
– The PRC	21,392	85,632
	<u>21,429</u>	<u>85,765</u>

(c) Major customer

For the six months ended 30 June 2014, one (six months ended 30 June 2013: one) customer from trading of crude oil, crude oil jetty services and vessel charter services has transactions that exceeded 10% of the Group's revenue, amounting to HK\$3,414,815,000 (six months ended 30 June 2013: HK\$13,035,818,000). This customer operates in the PRC.

5 OPERATING PROFIT

Operating profit is arrived at after crediting/(charging):

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income from bank deposits	12,921	28,400
Net foreign exchange (loss)/gain	(3,162)	19,460
Depreciation and amortisation	(91,224)	(87,391)
Operating lease charges		
– property rentals	(3,310)	(4,096)
– hire of vessels	(96,647)	(125,738)
	<u> </u>	<u> </u>

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
– PRC enterprise income tax	31,942	29,160
– Withholding tax	21,261	19,403
	<u> </u>	<u> </u>
	53,203	48,563
Deferred income tax:		
– (Credited)/charged to the income statement	(1,547)	1,609
	<u> </u>	<u> </u>
	51,656	50,172
	<u> </u>	<u> </u>

No provision for Hong Kong profits tax has been provided as the Group's subsidiaries in Hong Kong incurred taxable losses during the six months ended 30 June 2014 and 2013. Taxation for the PRC and overseas subsidiaries are charged at the appropriate current rates of taxation prevailing in the relevant countries. Applicable tax rate for enterprise income tax of the PRC subsidiary is 25%.

Pursuant to the tax law of the PRC passed on 16 March 2007, withholding tax at a rate of 10% is levied on dividends declared to foreign investors from the PRC entities effective from 1 January 2008. Further to the issuance of Guofa (2007) No.39, the Ministry of Finance and State Administration of Taxation released notice Caishui (2008) No.1 on 22 February 2008, stating that the distributions of the pre-2008 profits of a foreign-invested enterprise to a foreign investor in 2008 or later will be exempted from withholding tax.

7 DIVIDENDS

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend, declared	<u>62,154</u>	<u>37,292</u>

On 21 August 2014, the board of directors has resolved to declare an interim dividend of HK2.5 cents per ordinary share (2013: HK1.5 cents per ordinary share). This interim dividend has not been recognised as a liability in this condensed consolidated interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2014.

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

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend approved in the interim period, of HK2.0 cents (six months ended 30 June 2013: HK2.0 cents) per ordinary share	<u>49,723</u>	<u>49,723</u>

8 EARNINGS PER SHARE

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	377,284	230,864
Weighted average number of ordinary shares in issue (shares)	2,486,160,000	2,194,447,000
Basic earnings per share (HK cents per share)	<u>15.18</u>	<u>10.52</u>

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.

9 TRADE, BILLS AND OTHER RECEIVABLES

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Trade and bills receivables		
– An intermediate holding company and fellow subsidiaries	373,321	609,317
– Others	65,162	1,912
	<u>438,483</u>	<u>611,229</u>
Other receivables		
– Amounts due from an intermediate holding company and fellow subsidiaries	–	15,748
– Dividend receivables from a joint venture	–	86,127
– Others	27,008	17,263
	<u>465,491</u>	<u>730,367</u>

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

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

The amounts due from an intermediate holding company and fellow subsidiaries and dividend receivables are unsecured and interest free and there is no history of default.

The ageing analysis of trade and bills receivables based on invoice date was as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Current	120,208	108,356
Less than 1 month past due	44,142	112,256
1 to 3 months past due	135,956	37,168
More than 3 months past due but less than 12 months past due	138,177	353,449
Amounts past due	318,275	502,873
	<u>438,483</u>	<u>611,229</u>

10 TRADE AND OTHER PAYABLES

	As at 30 June 2014 <i>HK\$'000</i> (Unaudited)	As at 31 December 2013 <i>HK\$'000</i> (Audited)
Trade payables		
– A fellow subsidiary	66	66
– Others	17,595	43,840
	<u>17,661</u>	<u>43,906</u>
Amounts due to immediate and intermediate holding companies and fellow subsidiaries	269,156	272,155
Creditors and accrued charges	34,265	246,787
Land lease payable	300,760	531,792
Consideration payable to acquire equity interests in joint ventures	69,067	128,770
Dividend payable	49,723	–
	<u>740,632</u>	<u>1,223,410</u>

Except for trade payables to a fellow subsidiary which is repayable on demand, other trade payable balances are repayable within one year.

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

Land lease payable represents the consideration payable for the land on development of oil storage business in Indonesia.

The ageing analysis of trade payables, based on the invoice date was as follows:

	As at 30 June 2014 <i>HK\$'000</i> (Unaudited)	As at 31 December 2013 <i>HK\$'000</i> (Audited)
Due within 1 month or on demand	17,595	43,840
Due after 1 month	66	66
	<u>17,661</u>	<u>43,906</u>

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK 2.5 cents per share to shareholders whose names appear on the register of members of the Company on 19 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 September 2014 (Monday) to 19 September 2014 (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 branch share registrar of the Company, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 12 September 2014 (Friday). The cheques for dividend payment will be sent on or around 16 October 2014 (Thursday).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the first half of 2014, the global economy gradually recovered, yet there remains a long way ahead with challenges. Under the background of structural adjustment, China's economic growth slowed down. Facing the complex market conditions, under the strong leadership of the Board of Directors, all the staff members adhered to the development and strategic targets of the Company to continue to expand the core business of storage and logistics, and meanwhile, all the staff members closely kept track of the market and adopted flexible operation strategy subject to different market conditions in order to achieve satisfactory operation results. During the first half of 2014, the crude oil trading volume reduced due to the adjustment of core business, turnover of the Company and its subsidiaries (collectively the “**Group**”) was approximately HK\$3,511,000,000, representing a decrease of approximately 73.10% as compared with the same period of last year, with net profit of approximately HK\$377,000,000, representing an increase of approximately 63.33% as compared with the same period of last year.

During the first half of 2014, the Group continued to actively develop the storage and logistics projects. The project of 1.155 million cubic meters of oil storage tank invested and constructed by the Group in Fujairah in the United Arab Emirates has proceeded smoothly. At present, the construction of the project is near completion, most of the oil tanks are being installed with tank roofs, and some of the oil tanks completed with installation of tank roofs are undergoing pressure tests or coating. It is expected that the project will be fully completed at the end of the year. In addition, the management of the joint venture have gradually reported duty, the marketing for tanks storage leasing business has commenced, and the preparation work for commercial operation of the project is in progress. During the first half of 2014, progress was made in the 2.6 million cubic meter storage tanks and terminals ancillary facilities project invested and constructed by the Company through PT. West Point Terminal in Batam, Indonesia. The front-end engineering design, the detailed survey for the project, the financing plan and engineering project tendering were further developed and carried out, laying foundation for the engineering project tendering and the overall construction. In addition, the building of LNG vessels under Papua New Guinea LNG project and Australia Pacific LNG project (“**APLNG Project**”) achieved good progress as originally scheduled. The outfitting of the first LNG vessel under Papua New Guinea LNG special project was basically completed. It is planned to have a sea trial in October 2014. The construction of the first LNG vessel under Phase I of APLNG Project began in January 2014, and the construction of the second one started in March this year. The preparation works for building a total of two vessels under Phase II of APLNG Project have already begun.

On 30 December 2013, it was announced that China Petroleum & Chemical Corporation (“**Sinopec Corp**”), the controlling shareholder of the Company, planned to inject the assets of Yulin, Shaanxi Province-Jinan, Shandong Province Natural Gas Transmission Pipelines and the relevant facilities (“**Yuji Line**”) into the Company. The Company pays close attention and closely followed up the asset injection of Yuji Line. In the first half of 2014, the Company designated certain staff to set up a task force to fully support the relevant departments of Sinopec Corp, and actively prepared for the acquisition of the assets of Yuji Line, in an effort to complete the acquisition as soon as possible.

In the first half of 2014, the Group made good results in its day-to-day operations. While performing well in the construction of fuel oil storage tank project, Huade Petrochemical Co., Ltd (**“Huade Petrochemical”**), a wholly-owned subsidiary of the Company endeavoured to optimising the management, and ensured the safe and stable operations of the crude oil jetty. During the first half of the year, Huade Petrochemical unloaded a total of 40 oil tankers and handled 6.34 million tonnes of crude oil, representing an increase of approximately 17.63% as compared with the same period of last year. It also transported 6.28 million tonnes of crude oil, representing an increase of approximately 19.17% as compared with the same period of last year, and realized a reportable segment profit of approximately HK\$140,000,000, an increase of approximately 40.33% as compared with the same period of last year. During the first half of 2014, Sinomart KTS Development Limited (**“KTS Development”**), a wholly-owned subsidiary of the Company, made correct decision based on the trend of global tanker shipping market, and terminated the charter contracts for two vessels upon their expiry in May, and at present, only one chartered vessel is still operating. This played a positive role in improving the operation results of KTS Development by reducing the loss from the vessel charter business. During the first half of the year, turnover of vessel charter business amounted to approximately HK\$198,000,000, and the operating loss amounted to approximately HK\$12,100,000; in addition, due to the adjustment of core businesses, KTS Development reduced the crude oil trading volume in the first half of the year resulting in a significant decrease in the turnover of crude oil. During the first half of the year, the crude oil trading volume in the trade segment amounted to 511,300 tonnes, representing a decrease of approximately 74.94% as compared with the same period of last year; turnover amounted to approximately HK\$3,000,000,000, representing a decrease of approximately 76.21% as compared with the same period of last year. During the first half of 2014, benefiting from the stable growth of import of crude oil in China, the joint ventures of the Company engaging in terminal business maintained a stable growth in throughput of crude oil. During the first half of the year, six domestic terminal companies (including Zhan Jiang Port Petrochemical Jetty Co. Ltd., Qingdao Shihua Crude Oil Terminal Co. Ltd., Ningbo Shihua Crude Oil Terminal Co. Ltd., Rizhao Shihua Crude Oil Terminal Co. Ltd., Tianjin Shihua Crude Oil Terminal Co. Ltd. and Tangshan Caofeidian Shihua Crude Oil Terminal Co. Ltd.) generated an aggregate throughput of 78.22 million tonnes, realizing investment return of approximately HK\$284,000,000, representing an increase of approximately 32.09% as compared with the same period of last year; investment return from Vesta Terminal B.V. (**“VESTA”**), the joint venture of the Company in Europe was approximately HK\$33,230,000, representing an increase of approximately 64.83% as compared with the same period of last year, providing a strong driving force for the profitability of the Group.

In the second half of 2014, while achieving good results in various operations, the Company will push forward the work of asset injection of Yuji Line, and complete the asset acquisition as early as possible. In addition, the Company will take various effective measures, and continue to expand the storage and logistics projects to generate even better results for production, operations and development of the Company.

TURNOVER AND COST OF SALES

In the first half of 2014, the Group’s turnover was approximately HK\$3,510,630,000 (as at 30 June 2013: HK\$13,049,149,000), representing a decrease of approximately 73.10% as compared with the same period of last year; the cost of sales was approximately HK\$3,357,319,000 (as at 30 June 2013: HK\$12,978,003,000), representing a decrease of approximately 74.13% as compared with the same period of last year. The decrease in both turnover and cost of sales was mainly due to the significant decreases in crude oil trading volume of the Group in the first half of 2014 as compared with the same period of last year.

GROSS PROFIT AND OPERATING PROFIT

In the first half of 2014, the Group's gross profit amounted to approximately HK\$153,311,000 (as at 30 June 2013: HK\$71,146,000), representing an increase of approximately 115.49% as compared with the same period of last year; the operating profit was approximately HK\$108,950,000, (as at 30 June 2013: HK\$48,425,000), representing an increase of approximately 124.99% as compared with the same period of last year. The significant increase in both the gross profit and the operating profit was due to KTS Development terminating the charter contracts for two vessels upon expiry in the first half of 2014, resulting in a significant decrease in operating loss of charter vessel business; and as Huade Petrochemical maintained normal operations in the first half of 2014 while in the first half of 2013, the base number was lower resulting from the impact of scheduled overhaul of the oil refinery facilities of Guangzhou Branch of Sinopec Corp., a downstream customer of Huade Petrochemical in the period.

DISTRIBUTION COST

In the first half of 2014, the Group's distribution cost was approximately HK\$15,209,000 (as at 30 June 2013: HK\$9,313,000), representing a significant increase of approximately 63.31% as compared with the same period of last year, mainly due to the corresponding increase in staff cost resulting from a strong labour demand by the Company for expanding the storage and logistics projects of the Group.

ADMINISTRATIVE EXPENSES

In the first half of 2014, the Group's administrative expenses were approximately HK\$41,226,000 (as at 30 June 2013: HK\$65,840,000), representing a decrease of approximately 37.38% as compared with the same period of last year, which was mainly due to the significant drop in external professional service providers fees of the Group in the first half of 2014 as well as decreases in business entertainment expenses and office expenses to different extents.

INVESTMENT RETURN FROM ASSOCIATED COMPANIES

In the first half of 2014, the Group's investment return from associated companies amounted to approximately HK\$56,383,000 (as at 30 June 2013: HK\$63,586,000), representing a decrease of approximately 11.33% as compared with the same period of last year, which was due to the decrease in throughput of Zhan Jiang Port Petrochemical Jetty Co., of the Group for the first half of 2014, causing a decrease in operation results.

INVESTMENT RETURN FROM JOINT VENTURES

In the first half of 2014, the Group's investment returns from joint ventures amounted to approximately HK\$260,363,000 (as at 30 June 2013: HK\$165,902,000), representing an increase of approximately 56.94% as compared with the same period of last year, which was attributable to the good operation results from five domestic terminal joint ventures of the Group (including Qingdao Shihua Crude Oil Terminal Co. Ltd., Ningbo Shihua Crude Oil Terminal Co. Ltd., Rizhao Shihua Crude Oil Terminal Co. Ltd., Tianjin Shihua Crude Oil Terminal Co. Ltd. and Tangshan Caofeidian Shihua Crude Oil Terminal Co. Ltd.) and VESTA, an overseas company.

PROFIT FOR THE PERIOD

In the first half of 2014, the Group recorded a profit amounting to approximately HK\$377,022,000 (as at 30 June 2013: HK\$230,831,000) for the period, representing an increase of approximately 63.33% as compared with the same period of last year, which was mainly due to the significant increase in the gross profits from the operation and the investment return from the joint ventures of the Group.

GEARING RATIO

As at 30 June 2014, the Group's current ratio (current assets to current liabilities) was 2.35 (as at 31 December 2013: 1.94) and gearing ratio (total liabilities to total assets) was 7.79% (as at 31 December 2013: 11.92%).

LIQUIDITY AND SOURCE OF FINANCE

As at 30 June 2014, cash and cash equivalents of the Group was approximately HK\$1,304,883,000 (as at 31 December 2013: HK\$1,622,454,000). The decrease in cash and cash equivalents of the Group was due to payment of PT.WEST Point Terminal, a subsidiary of the Group, for part of the land premium of the fifty-year land use right for the investment and construction of storage and terminals ancillary facilities in Batam, Indonesia and the capital expenditure of shareholders' loans for Fujairah Oil Terminal FZC in the Middle East and the capital expenditure for construction of LNG vessels.

TRADE AND OTHER PAYABLES

As at 30 June 2014, the Group's trade and other payables were approximately HK\$740,632,000 (as at 31 December 2013: HK\$1,223,410,000). The substantial decrease in trade and other payables was attributable to the settlement of payment by the Group for part of the land premium under the Project in Batam, Indonesia in the first half of 2014. According to the Land Lease Agreement, as of 30 June 2014, the land premium actually paid by the Group was approximately HK\$367,643,000, representing 55% of the total land premium of Project in Batam, Indonesia.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2014, the Group had a total of 243 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 2014, 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 Rules Governing the Listing of Securities on the Stock Exchange ("**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 2014, 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	60.33%

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 China Petroleum & Chemical Corporation ("**Sinopec Corp.**"), a subsidiary of China Petrochemical Corporation.

CORPORATE GOVERNANCE

The Group has complied with the applicable provisions of the Corporate Governance Code (the “**Code**”) in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 30 June 2014.

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

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 2014.

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, of which one of the independent non-executive Directors was appointed as the chairperson of the Audit Committee. The Audit Committee has reviewed with the management and external auditors 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 2014.

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 Group has adopted a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 of the Listing Rules.

For the six months ended 30 June 2014, all the Directors confirmed that they have met with the standards of the Model Code 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 2014.

FURTHER PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE

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 (<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.

SUPPLEMENTAL INFORMATION IN RELATION TO THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2013

References are made to (i) the announcement of the Company dated 3 May 2013 (the “**Announcement**”) in relation to Placing of existing Shares and Subscription of new Shares; and (ii) the annual report of the Company for the financial year ended 31 December 2013 published on 7 April 2014 (the “**Annual Report**”). Unless otherwise defined, capitalised terms used under this section shall bear the same meanings as defined in the Announcement.

Placing of existing Shares and Subscription of new Shares under General Mandate

As disclosed in the Announcement, the Company entered into the Placing and Subscription Agreement with the Placing Agent on 3 May 2013, pursuant to which (i) the Vendor had appointed the Placing Agents as agents, and each of the Placing Agents had agreed to act as the agents for the Vendor to procure purchasers for, or failing which to purchase themselves as principals on a fully underwritten basis and on several basis, 412,500,000 Placing Shares held by the Vendor, representing approximately 19.89% of the issued share capital of the Company as at the date of the Placing and Subscription Agreement, at the Placing Price of HK\$6.50 per Placing Share; and (ii) the Vendor had conditionally agreed to subscribe for 412,500,000 Subscription Shares (the number of which is equal to the number of the Placing Shares) at the Subscription Price of HK\$6.50 per Subscription Share.

The Placing

The Placing Price (or the Subscription Price) of HK\$6.50, which represented: (i) a discount of approximately 4.97% to the closing price of HK\$6.84 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 6.74% to the average closing price of HK\$6.97 per Share as quoted on the Stock Exchange from 25 April 2013 to the Last Trading Day, both dates inclusive, being the last five consecutive trading days prior to the date of the Placing and Subscription Agreement; (iii) a discount of approximately 2.40% to the average closing price of HK\$6.66 per Share as quoted on the Stock Exchange from 18 April 2013 to the Last Trading Day, both dates inclusive, being the last ten consecutive trading days prior to the date of the Placing and Subscription Agreement; and (iv) a discount of approximately 3.85% to the average closing price of HK\$6.76 per Share as quoted on the Stock Exchange from 18 March 2013 to the Last Trading Day, both dates inclusive, being the last thirty consecutive trading days prior to the date of the Placing and Subscription Agreement.

The Placing was completed on 3 May 2013. 412,500,000 Placing Shares was successfully placed to not less than six placees at the Placing Price of HK\$6.50 per Placing Share pursuant to the Placing and Subscription Agreement. The aggregate nominal value of the Placing Shares was HK\$41,250,000. After deduction of the costs and expenses relating to the Placing, the net Placing Price was approximately HK\$6.42 per Placing Share, and the net proceeds from the Placing was approximately HK\$2,649 million.

The Subscription

The number of the Subscription Shares was equivalent to the number of the Placing Shares.

The Subscription Price was the same as the Placing Price. The total gross proceeds from the Subscription was approximately HK\$2,681 million. Under the Placing and Subscription Agreement, all costs, fees, placing commission, incentive fees and expenses incurred by the Vendor in connection with the Placing were borne by the Company. The aggregate nominal value of the Subscription Shares was HK\$41,250,000. After deduction of the estimated expenses, the total net proceeds from the Subscription amounted to approximately HK\$2,649 million and the net proceeds per Subscription Share amounted to approximately HK\$6.42.

All conditions set out in the Placing and Subscription Agreement have been fulfilled and the Subscription was completed on 3 May 2013.

Reasons for the Placing and Subscription

The Directors considered that the Placing and the Subscription under the Placing and Subscription Agreement provided an opportunity to raise capital in the market to further develop its storage and logistics businesses in the PRC and on a global basis. This further gave the Company additional capability to capture future expansion and acquisition growth opportunities as and when they arise. In addition, the Directors had considered various ways of raising funds and consider that the Placing and Subscription represented an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. Accordingly, the Directors consider the Placing and Subscription were in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Placing Agents and their respective ultimate beneficial owners were independent of and not connected with the Company or any of its connected persons.

Use of Proceeds

On the basis that 412,500,000 Placing Shares were placed such that 412,500,000 Subscription Shares were subscribed by the Vendor under the Placing and Subscription Agreement, the gross proceeds of the Subscription was approximately HK\$2,681 million and the net proceeds of the Subscription amounted to approximately HK\$2,649 million after deduction of the relevant commission and expenses.

As at the date of the Annual Report, the Company had utilized approximately HK\$2,003 million of the net proceeds raised from the Placing and Subscription for investment and development of its principal activities including crude oil and oil products terminals and provision of logistics services and their related facilities. The remaining net proceeds of approximately HK\$646 million had been placed in the bank deposits of the Company for investment and development of its principal activities including crude oil and oil products terminals and provision of logistics services and their related facilities.

The above additional information does not affect other information contained in the Annual Report and, save as disclosed in this section, the remaining contents of the Annual Report remain unchanged.

By order of the Board

Chen Bo

Chairman

Hong Kong, 21 August 2014

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

Executive Directors

Mr. Chen Bo (*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

Ms. Tam Wai Chu, Maria

Mr. Fong Chung, Mark

Dr. Wong Yau Kar, David

* *For identification purpose only*