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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 RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board (the "**Board**") of directors (the "**Directors**") of Sinopec Kantons Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014 together with the comparative figures for the previous financial year.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	3 & 4	**19,223,634**	23,355,579
Cost of sales	6	**(18,943,726)**	(23,200,797)
Gross profit		**279,908**	154,782
Other income and other gains – net	5	**25,896**	74,696
Distribution costs	6	**(26,379)**	(20,414)
Administrative expenses	6	**(95,455)**	(111,661)
Operating profit		**183,970**	97,403
Finance income		**6,516**	2,702
Finance costs		**–**	(3,807)
Finance income/(costs) – net		**6,516**	(1,105)
Share of results of:			
– Associated companies		**103,506**	108,780
– Joint ventures		**489,948**	456,966
		593,454	565,746
Profit before income tax		**783,940**	662,044
Income tax expenses	7	**(84,167)**	(170,637)
Profit for the year		**699,773**	491,407
Profit attributable to:			
Equity holders of the Company		**700,054**	491,397
Non-controlling interest		**(281)**	10
		699,773	491,407
Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	8	**28.16**	21.00
Dividends	10	**124,308**	87,016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Profit for the year	**699,773**	491,407
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on currency translation		
– Subsidiaries	**(2,973)**	78,090
– Associated companies	**(2,000)**	18,963
– Joint ventures	**(191,211)**	188,396
Other comprehensive income for the year, net of tax	**(196,184)**	285,449
Total comprehensive income for the year	**503,589**	776,856
Total comprehensive income attributable to:		
Equity holders of the Company	**503,870**	776,846
Non-controlling interest	**(281)**	10
Total comprehensive income for the year	**503,589**	776,856

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,999,064**	1,958,211
Investment properties		**29,389**	14,910
Prepaid land lease payments		**712,759**	724,018
Interests in associated companies		**686,650**	617,864
Interests in joint ventures		**6,124,978**	5,475,680
Total non-current assets		**9,552,840**	8,790,683
Current assets			
Inventories		**15,313**	47,108
Trade and other receivables	9	**1,193,405**	730,367
Cash and cash equivalents		**795,558**	1,622,454
Total current assets		**2,004,276**	2,399,929
Total assets		**11,557,116**	11,190,612
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**248,616**	248,616
Reserves		**9,989,967**	9,597,975
Equity attributable to equity holders of the Company		**10,238,583**	9,846,591
Non-controlling interest		**38,599**	9,630
Total equity		**10,277,182**	9,856,221

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2014

	Note	2014 HK$'000	2013 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**103,340**	97,582
Current liabilities			
Trade and other payables	*11*	**1,170,615**	1,223,410
Income tax payable		**5,979**	13,399
Total current liabilities		**1,176,594**	1,236,809
Total liabilities		**1,279,934**	1,334,391
Total equity and liabilities		**11,557,116**	11,190,612
Net current assets		**827,682**	1,163,120
Total assets less current liabilities		**10,380,522**	9,953,803

NOTES TO THE FINANCIAL STATEMENTS

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, operation of crude oil and oil products terminals and 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.

These financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 27 March 2015.

In the opinion of the directors, the immediate holding company of the Company is Sinopec Kantons International Limited and the ultimate holding company is China Petrochemical Corporation ("**Sinopec Group Company**").

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap.32) for this financial year and the comparative period.

Changes in accounting policy and disclosures

(a) Amended standard adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

HKAS 32 (Amendment)	Financial instruments: Presentation – offsetting financial assets and financial liabilities
HKAS 36 (Amendment)	Impairment of assets – recoverable amount disclosure

The adoption of these above amendments to standards have no significant effects on the Group's financial information.

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2014 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

HKAS 39 (Amendment)	Financial instruments: Recognition and measurement – novation of derivatives
HKFRS 10, 12 and HKAS 27 (2011) (Amendment)	Consolidation for investment entities
HK(IFRIC) Int 21	Levies

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted

The following standards, amendments to standards and interpretation have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2015 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKAS 1 (amendment)	Disclosure initiative	1 January 2016
HKAS 19 (2011) (amendment)	Defined benefit plans: employee contributions	1 July 2014
Annual improvements project	Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements project	Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
HKFRS 10, HKFRS 12 and HKAS 28 (amendment)	Investment entities: applying the consolidation exception	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 11 (amendment)	Accounting for acquisitions of interests in joint operation	1 January 2016
HKAS 16 and HKAS 38 (amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (amendment)	Agriculture: bearer plants	1 January 2016
HKFRS 10 and HKAS 28 (amendment)	Sale or contribution of assets between and investor and its associate or joint venture	1 January 2016
HKAS 27 (amendment)	Equity method in separate financial statements	1 January 2016
Annual improvements project	Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

The Group has not early adopted the new standards, amendments to standards and interpretation, which have been issued but are not effective for the financial year beginning 1 January 2014. The Group has commenced an assessment of the related impact, but is not yet in a position to state whether any substantial changes to the Group's accounting policies and presentation of the financial information will be resulted.

3 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 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, the Group's activities 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 tankers. Currently, these Groups' 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 payments, inventories and trade 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 sharing 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.

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 year ended is set out as follow:

(i) As at and for the year ended 31 December 2014:

	Year ended 31 December 2014				
	Trading of crude oil *HK$'000*	Crude oil jetty services *HK$'000*	Vessel charter services *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
Segment revenue and results					
Segment revenue	**18,307,184**	**626,725**	**292,522**	**(2,797)**	**19,223,634**
Inter-segment revenue	**–**	**(2,797)**	**–**	**2,797**	**–**
Revenue	**18,307,184**	**623,928**	**292,522**	**–**	**19,223,634**
Segment results	**(23,904)**	**235,424**	**(32,953)**	**–**	**178,567**
Share of results of associated companies					**103,506**
Share of results of joint ventures					**489,948**
Unallocated other corporate income					**11,919**
Profit before income tax					**783,940**
Income tax expenses					**(84,167)**
Profit for the year					**699,773**
Other segment items					
Interest income from bank deposits	**–**	**460**	**–**	**–**	**460**
Depreciation and amortisation	**(716)**	**(178,284)**	**(715)**	**–**	**(179,715)**

	As at 31 December 2014				
	Trading of crude oil	Crude oil jetty services	Vessel charter services	Inter-segment elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Segment assets	**357,613**	**2,536,094**	**366,808**	**–**	**3,260,515**
Unallocated assets					
– Cash and cash equivalents					**795,558**
– Investment properties					**29,389**
– Interests in associated companies					**686,650**
– Interests in joint ventures					**6,124,978**
– Prepaid land lease payments					**660,026**
Total assets					**11,557,116**
Liabilities					
Segment liabilities	**350,303**	**162,638**	**350,303**	**–**	**863,244**
Unallocated liabilities					
– Trade and other payables					**313,350**
– Deferred tax liabilities					**103,340**
Total liabilities					**1,279,934**
Capital expenditures	**18**	**218,637**	**19**	**–**	**218,674**

(ii) As at and for the year ended 31 December 2013:

	Year ended 31 December 2013				
	Trading of crude oil	Crude oil jetty services	Vessel charter services	Inter-segment elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue and results					
Segment revenue	22,435,933	582,302	339,973	(2,629)	23,355,579
Inter-segment revenue	–	(2,629)	–	2,629	–
Revenue	22,435,933	579,673	339,973	–	23,355,579
Segment results	(36,814)	220,208	(158,013)	–	25,381
Share of results of associated companies					108,780
Share of results of joint ventures					456,966
Unallocated other corporate income					70,917
Profit before income tax					662,044
Income tax expenses					(170,637)
Profit for the year					491,407
Other segment items					
Interest income from bank deposits	1	258	1	–	260
Finance costs	(1,904)	–	(1,903)	–	(3,807)
Depreciation and amortisation	(415)	(181,819)	(415)	–	(182,649)

	As at 31 December 2013				
	Trading of crude oil	Crude oil jetty services	Vessel charter services	Inter-segment elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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 payments					660,024
Total assets					11,190,612
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					1,334,391
Capital expenditures	66	242,518	67	–	242,651

(b) Analysis of information by geographical regions

Revenue

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

Non-current assets

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**451,001**	243,063
The PRC	**6,433,496**	5,942,116
Other countries	**2,668,343**	2,605,504
	9,552,840	8,790,683

Total assets

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**1,754,015**	1,843,937
The PRC	**7,041,789**	6,711,757
Other countries	**2,761,312**	2,634,918
	11,557,116	11,190,612

(c) Major customers

For the purpose of disclosure under segment reporting, one (2013: one) customer (including China International United Petroleum & Chemical Co., Ltd., UNIPEC ASIA COMPANY LIMITED and China Petroleum & Chemical Corporation Guangzhou Branch) 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$19,174,345,000 (2013: HK$23,327,382,000). This customer operates in the PRC.

(d) Capital expenditures

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**37**	133
The PRC	**218,637**	242,518
	218,674	242,651

4 Revenue

	2014	2013
	HK$'000	*HK$'000*
Trading of crude oil	**18,307,184**	22,435,933
Crude oil jetty services	**623,928**	579,673
Vessel charter services	**292,522**	339,973
	19,223,634	23,355,579

The principal activities of the Group are trading of crude oil and provision of crude oil jetty and vessel charter services.

Revenue represents the sales value of goods supplied to customers and income from providing crude oil jetty services and vessel charter services, net of value added tax.

5 Other income and other gains – net

	2014	2013
	HK$'000	*HK$'000*
Rental income from investment properties	**1,913**	787
Interest income from bank deposits	**21,392**	36,826
Net foreign exchange (loss)/gain	**(311)**	24,772
Net loss on disposal of property, plant and equipment	**(2,020)**	(2,517)
Government grant – value added tax refund	**3,526**	10,334
Others	**1,396**	4,494
	25,896	74,696

6 Expenses by nature

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**18,300,182**	22,601,139
Depreciation of properties, plant and equipment	**168,752**	171,735
Amortisation of investment properties	**1,351**	658
Amortisation of prepaid land lease payments	**10,963**	10,914
Employee benefit expenses (including directors' remuneration)	**87,790**	74,847
Auditor's remuneration		
– the Company	**2,110**	2,110
– subsidiaries	**1,233**	1,221
Rental expenses from investment properties	**271**	390
Operating lease charges: minimum lease payments		
– hire of other assets (including property rentals)	**11,734**	12,724
– hire of vessels	**126,634**	248,163

7 Income tax expenses

	Note	2014 HK$'000	2013 HK$'000
Current income tax:			
– PRC enterprise income tax	*(a)*	**54,123**	53,698
– Withholding tax	*(b)*	**23,995**	21,657
		78,118	75,355
Deferred income tax:			
– Charge to income statement		**6,049**	95,282
		84,167	170,637

(a) The Company is incorporated in the Bermuda as an exempted company with limited liability under the Companies Law of the Bermuda and, accordingly, is exempted from payment of the Bermuda income tax. No provision of Hong Kong profits tax has been made as the Group's subsidiaries in Hong Kong sustained adjusted losses during the year (2013: loss). PRC and overseas subsidiaries are calculated as the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(b) Dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 in the PRC is subject to withholding income tax at a tax rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profits of the Group's subsidiaries, joint ventures and associated companies established the PRC at tax rates of 5% or 10% (2013: 5% or 10%).

(c) The tax on the Group's profit before income tax less share of results of joint ventures and associated companies differs from the theoretical amount that would arise using the principal applicable tax rate as follows:

	2014 HK$'000	2013 HK$'000
Profit before income tax	**783,940**	662,044
Less: Share of results of – associated companies	**(103,506)**	(108,780)
– joint ventures	**(489,948)**	(456,966)
	190,486	96,298
Tax calculated at domestic tax rates applicable to profits in the respective countries	**51,201**	35,346
Income not subject to tax	**(52,638)**	(53,903)
Expenses not deductible for tax purposes	**69,485**	84,196
Withholding tax	**6,049**	95,282
Over-provision in prior years	**–**	(123)
Utilisation of previously unrecognised tax loss	**(833)**	(4)
Tax losses for which no deferred income tax asset was recognised	**10,903**	9,843
Income tax expenses	**84,167**	170,637

8 Earnings per share

	2014	2013
Profit attributable to equity holder of the Company *(HK$'000)*	**700,054**	491,397
Weighted average number of ordinary shares at 31 December *(shares'000)*	**2,486,160**	2,340,372
Basic earnings per share *(HK cents per share)*	**28.16**	21.00

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

9 Trade and other receivables

	2014	2013
	HK$'000	*HK$'000*
Trade receivables		
– Amounts due from intermediate holding company and fellow subsidiaries	**1,161,323**	609,317
– Third parties	**2,723**	1,912
	1,164,046	611,229
Other receivables		
– Amounts due from intermediate holding company and fellow subsidiaries	**4,589**	15,748
– Dividend receivables from a joint venture	**–**	86,127
– Third parties	**24,770**	17,263
	29,359	119,138
	1,193,405	730,367

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

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

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

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

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**729,741**	108,356
1 to 2 months	**29,382**	112,256
2 to 3 months	**30,469**	115,247
Over 3 months but less than 12 months	**374,454**	275,370
	1,164,046	611,229

10 Dividends

	2014	2013
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK2.5 cents (2013: HK1.5 cents) per ordinary share	**62,154**	37,292
Final dividend proposed of HK2.5 cents (2013: HK2.0 cents) per ordinary share	**62,154**	49,724
	124,308	87,016

A final dividend in respect of the year ended 31 December 2014 of HK2.5 cents per share, amounting to a total dividend of HK$62,154,000 is to be proposed at the annual general meeting on 4 June 2015. These financial statements do not reflect this dividend payable.

The aggregate amounts of the dividends paid and proposed for 2014 and 2013 have been disclosed in the consolidated income statements in accordance with the Hong Kong Companies Ordinance.

The dividends actually paid in 2014 and 2013 were HK$111,878,000 and HK$87,016,000 respectively based on the number of issued shares outstanding at relevant time.

11 Trade and other payables

	2014	2013
	HK$'000	*HK$'000*
Trade payables		
– Amount due to a fellow subsidiary	**66**	66
– Third parties	**694,491**	43,840
	694,557	43,906
Amounts due to immediate, intermediate holding companies and fellow subsidiaries	**341,498**	272,155
Creditors and accrued charges	**63,916**	246,787
Land lease payable	**38,277**	531,792
Consideration payable to acquire equity interests in joint ventures	**32,367**	128,770
	1,170,615	1,223,410

As at 31 December 2014 and 2013, the Company's amounts due to subsidiaries are not expected to be repayable within one year, and the remaining trade and other payables are expected to be settled within one year.

The amounts due to immediate, 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 non-trade related transactions are repayable with a credit term of 30 days and repayable on demand respectively.

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

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

	2014	2013
	HK$'000	*HK$'000*
Due within 1 month or on demand	**694,491**	43,840
Due after 1 month but within 3 months	**66**	66
	694,557	43,906

12 Commitments

(a) As at 31 December 2014, the outstanding capital commitments not provided for in the financial statements were as follows:

	2014	2013
	HK\$'000	*HK\$'000*
Contracted for but not provided for	**2,854,635**	1,192,517
Authorised but not contracted for	**320,120**	501,387
	3,174,755	1,693,904

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2014	2013
	HK\$'000	*HK\$'000*
Within 1 year	**11,608**	154,636
After 1 year but within 5 years	**8,173**	12,422
After 5 years	**20,943**	7,342
	40,724	174,400

The Group leases a number of properties with an initial lease term of three to 32 years, with an option to renew the lease. None of the leases includes contingent rentals.

The total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period amounted to HK\$15,517,000 (2013: HK\$57,985,000) and were expected to be received in one year.

13 Subsequent events

On 30 December 2014, the Group has entered into an agreement to acquire the entire equity interest in Sinopec Yu-Ji Pipeline Company Limited at the consideration of RMB2,576,881,000 (equivalent to approximately HK\$3,221,100,000). On 10 February 2015, the resolution for the acquisition was approved by the shareholders at the special general meeting. As at the date of this report, the acquisition was not completed as the conditions precedent have not been completed. Details of the acquisition are set out in the announcement of the Company dated 30 December 2014.

FINAL DIVIDEND

The board proposed to declare a dividend of HK$0.05 per share payable in cash for the whole year of 2014 (2013: HK$0.035), excluding the interim dividend of HK$0.025 per share in cash for 2014 paid on 16 October 2014 (2013: HK$0.015 per share), the final dividend of HK$0.025 per share in cash for 2014 (2013: HK$0.02 per share) will be paid to all the shareholders whose names appear in the register of the members of the Company on 30 June 2015 (Tuesday).

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the 2014 Annual General Meeting

The Company will convene the 2014 Annual General Meeting on 4 June 2015 (Thursday), and the register of members of the Company will be closed from 29 May 2015 (Friday) to 4 June 2015 (Thursday) (both days inclusive). In order to qualify for attending the 2014 Annual General Meeting of the Company and cast votes in the meeting, all share transfers, accompanied by the 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 28 May 2015 (Thursday).

(ii) For determining the entitlement to the Proposed Final Dividend

The register of members of the Company will be closed from 24 June 2015 (Wednesday) to 30 June 2015 (Tuesday) (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with Tricor Secretaries Limited, the branch share registrars 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 23 June 2015 (Tuesday). The cheques for dividend payment will be sent to shareholders on or about 8 July 2015 (Wednesday).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and outlook

Overviewing 2014, the global economy recovered at a slow pace, the economic growth in China slowed down, international crude oil prices experienced substantial decline since the third quarter after a long period of gradual increase, the business environment was complex and ever-changing. Under these circumstances, on one hand, the Board of the Company continued to execute the established development strategy to proactively expand the storage and logistics services; on the other hand, the Board worked hard to strengthen business management, centered around quality and efficiency, based upon safe and stable operations. With the combined efforts of all members of staff, we actively reduced costs and saved spending, effectively achieving annual operating targets. Despite the reduction in crude oil trading volume, turnover in 2014 of the Group was approximately HK$19.224 billion, representing a decrease of 17.69% as compared with last year, but the consolidated net profit was approximately HK$700 million, representing an increase of 42.40% as compared with last year.

In 2014, the Company, combining the globalization of China Petroleum & Chemical Corporation ("**Sinopec Corp.**"), the controlling shareholder, and the storage and logistics business development plans of the Group, continued to promote the storage and logistics businesses. In 2014, the construction of two LNG vessels under the Papua New Guinea LNG Project was in smooth progress. The outfitting works of the first vessel was completed by Hudong-Zhonghua Shipbuilding (Group) Co., Ltd. in September, then a sea trial was performed in October, followed by a pilot sail in December, and it will officially be put into operation in January 2015, marking the beginning of LNG transport business of the Group; the second LNG vessel has entered the dock in April 2014 and is presently undergoing vessel outfitting works. The vessel construction under the Australia Pacific LNG project is currently carried out in two phases. The first phase involves the construction of six LNG vessels, among them the construction of four vessels were started in 2014; the second phase involves the construction of two LNG vessels, where all preparatory work were completed as scheduled during 2014, the tendering process of project construction was also completed, and the vessel construction will soon commence in full scale.

In 2014, the construction of a 1.155 million m^3 oil storage project in Fujairah, United Arabic Emirates ("**UAE**"), invested by the Company, was completed. Excluding the waste oil tank zone, a total of 34 tanks were constructed in the three main tank zones of the storage zone. During the construction process, the Company highly emphasized project construction supervision and management, and placed utmost importance on safety and quality. We recorded no major safety incident for five million working hours and achieved a passing rate of approximately 99.5% for oil tank welding. The oil storage company in Fujairah, Middle East, is expected to officially commence operation in the first half of 2015. In 2014, the Company continued to enhance the operation management of Vesta Terminals B.V. ("**Vesta**") in Europe, keeping close relationship with the joint venture company, to ensure the maximization of investment returns. Moreover, in 2014, the Group pushed forward the plan to construct a 2.6 million m^3 oil storage tank and terminal facility in Indonesia via the PT. West Point Terminal joint venture. Both parties of the joint venture actively communicated the preparatory work before the construction of the project, and sought to start full scale construction of the project as soon as practicable.

In order to continue to expand our business scale, strengthen our core business competitiveness and profitability, with the full support of the controlling shareholder, Sinopec Corp., on 30 December 2013, with the approval of the Board, the Company announced the intention to acquire Sinopec Yu-Ji Pipeline Company Ltd. ("**Yu-Ji Pipeline Company**") from Sinopec Corp. In order to meet investors' expectations and complete the acquisition of Yu-Ji Pipeline Company as early as possible, in 2014, the Company closely focused on asset auditing, evaluation, legal due diligence, applying for related licences and certificates, setting up of target company, etc., and actively carried out related work. On 30 December 2014, the Yu-Ji Pipeline Company equity acquisition agreement was signed by the Company's wholly-owned subsidiary, Sinomart KTS Development Limited ("**Sinomart Development**"). With the enormous support from our shareholders, the equity acquisition was successfully approved at the special general meeting of the Company convened on 10 February 2015.

In 2014, Huade Petrochemical Company Ltd ("**Huade Petrochemical**"), a wholly-owned subsidiary of the Company, continued to maintain stable operations, with a total of 86 oil tankers berthed with 12.67 million tonnes of crude oil unloaded, representing an increase of 8.66% as compared with last year; 12.63 million tonnes of crude oil were transmitted, representing an increase of 7.95% as compared with last year; segment profit of HK$235 million was realized, representing an increase of 6.82% as compared with last year. In 2014, there were obvious improvements in the business results of Sinomart Development. The chartered vessel business achieved a substantial reduction in losses by a decisive move to terminate the contracts of two chartered vessels upon their expiry. At present, only one chartered vessel remains. For the whole year, Sinomart Development completed a total of nine chartered voyages, generating revenue of HK$293 million in the vessel charter segment; in 2014, due to a shift of business focus, there was a decrease in the crude oil trading volume, and for the whole year, crude oil trading volume of 3.25 million tonnes were generated, a decrease of 10.96% as compared with last year, and HK$18.307 billion of turnover was realized. In 2014, the Group's quality assets – the oil terminals – continued to play a significant role in enhancing the profitability of the Group. Driven by the combined effect of continued economic growth in China and lower oil prices, for the whole year, the aggregate throughput volume of Zhan Jiang Port Petrochemical Jetty Co. Limited ("**Zhan Jiang Port Petrochemical Terminal**"), Qingdao Shihua Crude Oil Terminal Co. Ltd. ("**Qingdao Shihua**"), Ningbo Shihua Crude Oil Terminal Co. Ltd. ("**Ningbo Shihua**"), Rizhao Shihua Crude Oil Terminal Co. Ltd. ("**Rizhao Shihua**"), Tianjin Port Shihua Crude Oil Terminal Co. Ltd. ("**Tianjin Shihua**"), Tangshan Caofeidian Shihua Crude Oil Terminal Co. Ltd. ("**Caofeidian Shihua**") (collectively, the "**Six Domestic Terminal Companies**") amounted to 152 million tonnes, representing an increase of 5.55% compared with last year, and better investment return was realized.

In 2015, while continuing our efforts in the existing business operations, the Company will expedite the regulatory approvals for the Yu-Ji Pipeline Company acquisition and strive to settle the equity transaction as early as possible so as to create a new source of earnings growth. In addition, the various preparatory work prior to commencement for the oil storage company in Fujairah, Middle East, should be well performed, so as to ensure the Fujairah oil storage company can smoothly commence operations in a safe and stable manner. We firmly believe that, given the relentless support from our shareholders, and with the joint efforts of all members of staff, the Company will certainly make further breakthroughs, and reward our shareholders, staff and society with excellent results.

TURNOVER

For the year ended 31 December 2014, the Group's turnover was HK$19,223,634,000 (2013: HK$23,355,579,000), representing a decrease of 17.69% as compared with last year. The decrease in turnover was mainly due to decrease in trading volume in crude oil in 2014 as compared with the last year.

GROSS PROFIT

For the year ended 31 December 2014, the Group's gross profit amounted to HK$279,908,000 (2013: HK$154,782,000), representing an increase of 80.84% as compared with last year. The increase in gross profit was due to, on one hand, the Group terminating the charter contracts of two vessels upon expiry in 2014, resulting in a significant reduction in losses; on the other hand, Huade Petrochemical's comparable figure in 2013 was low due to the decrease in volume of business and operating income, resulting from the impact of scheduled overhaul of the production facilities of a downstream customer.

OTHER INCOME AND OTHER GAINS – NET

For the year ended 31 December 2014, the Group's other income and other gains (net) amounted to HK$25,896,000 (2013: HK$74,696,000), representing a decrease of 65.33% as compared with last year, mainly due to the substantial decrease in interest income from bank deposit and foreign exchange gains for 2014 as compared with last year.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2014, the Group's administrative expenses amounted to HK$95,455,000 (2013: HK$111,661,000), representing a decrease of 14.51% as compared with last year, mainly due to the significant drop in service fees paid to external professional service providers of the Group in 2014 as well as decreases in business entertainment expenses and office expenses to different extents.

INCOME TAX EXPENSES

For the year ended 31 December 2014, the income tax expenses of the Group were HK$84,167,000 (2013: HK$170,637,000), representing a decrease of 50.67% as compared with last year, mainly due to the Group's taxes payable in 2013 not only included Huade Petrochemical's annual profit taxes, but also included dividend taxes on Huade Petrochemical's overseas dividend distributions in 2008 and one-off deferred dividend taxes on the Huade Petrochemical's proposed overseas dividend distributions from 2009 to 2013.

PROFIT FOR THE YEAR

For the year ended 31 December 2014, the Group's profit amounted to approximately HK$699,773,000 (2013: HK$491,407,000), representing an increase of 42.40% as compared with last year. The increase in profit was due to, on one hand, the Group terminating the charter contracts of two vessels upon expiry in 2014, resulting in a significant reduction in losses; on the other hand, Huade Petrochemical's comparable figure in 2013 was low due to the decrease in volume of business and operating income, resulting from the impact of scheduled overhaul of the production facilities of a downstream customer.

LIQUIDITY AND SOURCE OF FINANCE

As at 31 December 2014, cash and cash equivalents held by the Group amounted to approximately HK$795,558,000 (as at 31 December 2013: HK$1,622,454,000), representing a decrease of 50.97% as compared with last year, mainly due to payment for part of the land premium of the fifty-year land use right of PT. West Point Terminal, a subsidiary of the Group, for the investment and construction of storage and terminals ancillary facilities in Batam, Indonesia; capital expenditure for long term shareholders' loans for Fujairah Oil Terminal project in the Middle East; and for the construction project of LNG vessels.

INVESTMENT PROPERTIES

As at 31 December 2014, investment properties of the Group were HK$29,389,000 (as at 31 December 2013: HK$14,910,000), representing an increase of 97.11% as compared with last year, mainly due to the Group leasing out a self-owned building as an investment property in 2014.

INVENTORIES

As at 31 December 2014, inventories of the Group amounted to HK$15,313,000 (as at 31 December 2013: HK$47,108,000), representing a decrease of 67.49% as compared with last year, mainly due to the Group terminating the charter contracts for two vessels upon expiry in 2014, resulting in a significant decrease in fuel oil inventory.

TRADE AND OTHER RECEIVABLES

As at 31 December 2014, the Group's trade and other receivables amounted to HK$1,193,405,000 (as at 31 December 2013: HK$730,367,000), representing an increase of 63.40% as compared with last year. The significant increase in trade and other receivables was mainly due to the calendar spread settlement of crude oil trading of the Group.

NON-CONTROLLING INTEREST

As at 31 December 2014, non-controlling interest of the Group was HK$38,599,000 (as at 31 December 2013: HK$9,630,000), representing an increase of 300.82% as compared with last year, mainly due to, pursuant to the joint venture agreement of the Group's subsidiary, PT. West Point Terminal, both shareholders contributed to the capital increase on a pro-rata basis in 2014, resulting in an increase of non-controlling interest.

GEARING RATIO

As at 31 December 2014, the Group's current ratio (current assets to current liabilities) was 1.70 (as at 31 December 2013: 1.94) and gearing ratio (total liabilities to total assets) was 11.07% (as at 31 December 2013: 11.92%).

FOREIGN CURRENCY RISK

The Group engages in oil storage and terminal businesses in the PRC, Europe and Fujairah, UAE through its respective wholly-owned subsidiaries, joint ventures and associated companies, and generates operating income in RMB, Euro and USD, respectively. As the exchange rates of RMB, Euro and USD against HK$ fluctuate, the Group faces foreign currency risks to a certain extent.

In addition, in order to develop the storage and logistics businesses, and to execute the development strategy set by the Board of the Company in the near future, the Group signed a number of agreements in respect to the expansion of storage and logistics businesses. On 9 January 2012, the Group entered into the sale and purchase agreement for the acquisition of 50% equity interest in Fujairah Oil Terminal FZC, and signed the shareholders' agreement in respect to the investment and construction of storage facility of approximately 1.155 million m^3 storage capacity through Fujairah Oil Terminal FZC. Pursuant to the sale and purchase agreement and the shareholders' agreement, as at 31 December 2014, there were an outstanding payment of USD4,149,582 for the equity acquisition and a shareholder's loan obligation not exceeding the balance of USD12,179,825. On 9 October 2012, the Group acquired 95% equity interest in PT. West Point Terminal and entered into the shareholders' agreement for the construction of storage tanks and terminal ancillary facilities of 2.60 million m^3 storage capacity in Batam, Indonesia. In accordance with the shareholders' agreement, as at 31 December 2014, the Group committed to a contribution obligation not exceeding the balance of USD144,400,000. In addition, in order to meet the needs of LNG vessel construction, on 31 March 2012, the Group entered into a related agreement for the construction of two LNG vessels under the Papua New Guinea LNG Project. Pursuant to such agreement, as at 31 December 2014, the Group had a shareholder's loan obligation in the balance of USD4,135,558. On 28 April 2013, the Group entered into the vessel sponsors' undertakings in relation to the construction of six LNG vessels under the Australia Pacific LNG Project. Pursuant to the vessel sponsors' undertakings, as at 31 December 2014, the Group undertook a contribution obligation not exceeding the balance of USD133,925,521 in relations to the necessary shareholder's loan and cost overruns for vessel construction. Along with the progress of project and schedule, the Group shall fulfill the corresponding contribution obligation in accordance with the above agreements. As there is fluctuation in the exchange rate of such currencies, there may be differences between the amount in HK$ to be paid accordingly and the amount based on the corresponding exchange rate as at the date of the agreements.

Save for the above, the Group was not exposed to other significant foreign exchange risk.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2014, the Group had a total of 266 employees. Remuneration packages, including basic salaries, bonuses and benefits-in-kind are structured by reference to market terms, trends in human resources costs in various regions and employees' contributions based on performance appraisals. Subject to the profit for the Group and the performance of the employees, the Group may also provide discretionary bonuses to its employees as an incentive for their further contribution.

CORPORATE GOVERNANCE

Save as disclosed in this announcement, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2014.

USE OF PROCEEDS FROM PLACING OF SHARES

Pursuant to the general mandate granted at the 2012 annual general meeting, the Company placed a total of 412,500,000 shares on 3 May 2013, representing approximately 19.89% of its total issued shares before placing. The total proceeds from this placing of shares amounted to approximately HK$2,681,000,000, and the net proceeds after deduction of related commission and expenses amounted to approximately HK$2,649,000,000.

As at 31 December 2014, the Company used the abovementioned net proceeds from placing of shares of approximately HK$2,649,000,000 toward the investment and development of oil and petrochemical products storage and logistics businesses.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was set up in accordance with the provisions of the Code. The Audit Committee comprises three independent non-executive directors. The Audit Committee reviewed together with the management and the external auditor the accounting principles and practice adopted by the Group, and discussed the matters of internal control audit and financial reports, including the review of the financial data for the year ended 31 December 2014.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was set up in accordance with the provisions of the Code. The Remuneration Committee comprises three independent non-executive directors and two executive Directors, of which an independent non-executive director is the chairperson.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was set up in accordance with the provisions of the Code. The Nomination Committee comprises three independent non-executive directors and two executive Directors, of which an independent non-executive director is the chairperson.

CODE FOR SECURITIES TRANSACTIONS

For the year ended 31 December 2014, all Directors confirmed that they have complied with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

OTHER INFORMATION PUBLISHED ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

This announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.sinopec.com.hk).

By order of the Board of
Sinopec Kantons Holdings Limited
Chen Bo
Chairman

Hong Kong, 27 March 2015

As of the date of this announcement, the members of the Board are as below:

Executive directors:
Mr. Chen Bo *(Chairman)*
Mr. Zhu Zeng Qing *(Deputy Chairman)*
Mr. Zhu Jian Min
Mr. Tan Ke Fe
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 purposes only*