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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 2015. Financial data in this announcement, together with the comparative figures for the corresponding period in 2014, were extracted from the Interim Financial information for the year 2015, which have been reviewed by PriceWaterhouseCoopers and the Audit Committee of the Company:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

		Six months ended 30 June	
	Note	2015	2014
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	428,697	3,510,630
Cost of sales		(232,772)	(3,357,319)
Gross profit		195,925	153,311
Other income and other gains, net		13,309	12,074
Distribution costs		(13,665)	(15,209)
Administrative expenses		(41,002)	(41,226)
Operating profit	5	154,567	108,950
Finance income		6,840	2,982
Share of results of:			
– Associated companies		68,919	56,383
– Joint ventures		252,258	260,363
Profit before income tax		482,584	428,678
Income tax expenses	6	(47,492)	(51,656)
Profit for the period		435,092	377,022
Profit attributable to:			
Equity holders of the Company		435,057	377,284
Non-controlling interest		35	(262)
		435,092	377,022
Basic earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	8	17.50	15.18

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	435,092	377,022
Other comprehensive income for the period:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on currency translation:		
– Subsidiaries	922	(22,006)
– Associated companies	113	(5,683)
– Joint ventures	(105,857)	(40,223)
Other comprehensive income for the period, net of tax	(104,822)	(67,912)
Total comprehensive income for the period	330,270	309,110
Total comprehensive income attributable to:		
Equity holders of the Company	330,235	309,372
Non-controlling interest	35	(262)
Total comprehensive income for the period	330,270	309,110

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		1,977,785	1,999,064
Investment properties		28,713	29,389
Prepaid land lease payment		691,268	712,759
Interests in associated companies		690,512	686,650
Interests in joint ventures		6,388,281	6,124,978
Total non-current assets		9,776,559	9,552,840
Current assets			
Inventories		10,278	15,313
Trade, bills and other receivables	9	566,638	1,193,405
Cash and cash equivalents		808,848	795,558
Total current assets		1,385,764	2,004,276
Total assets		11,162,323	11,557,116
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		248,616	248,616
Reserves		10,258,048	9,989,967
Equity attributable to equity holders of the Company		10,506,664	10,238,583
Non-controlling interest		38,634	38,599
Total equity		10,545,298	10,277,182

		As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		96,791	103,340
		-----	-----
Current liabilities			
Trade and other payables	10	501,406	1,170,615
Income tax payable		18,828	5,979
		-----	-----
Total current liabilities		520,234	1,176,594
		-----	-----
Total liabilities		617,025	1,279,934
		=====	=====
Total equity and liabilities		11,162,323	11,557,116
		=====	=====
Net current assets		865,530	827,682
		=====	=====
Total assets less current liabilities		10,642,089	10,380,522
		=====	=====

NOTES TO THE UNAUDITED 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, 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.

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 20 August 2015.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2015 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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 2014, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2015 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other 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, 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, bank interest income, 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 2015:

	Trading of crude oil (Note) <i>HK\$'000</i> (Unaudited)	Crude oil jetty services <i>HK\$'000</i> (Unaudited)	Vessel charter services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue and results				
Segment revenue	—	323,477	105,220	428,697
Segment results	(14,274)	154,409	16,866	157,001
Share of results of associated companies				68,919
Share of results of joint ventures				252,258
Unallocated other corporate income				4,406
Profit before income tax				482,584
Income tax expenses				(47,492)
Profit for the period				435,092
	Trading 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)	Total <i>HK\$'000</i> (Unaudited)
Other segment items				
Bank interest income	3,261	141	3,261	6,663
Depreciation and amortisation	(357)	(78,293)	(357)	(79,007)

Note: During the period, the Group has terminated the previous trading activities and is actively exploring other possible types of trading which can be better aligned with the Group's business strategy.

4 SEGMENT REPORTING (CONTINUED)

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

(i) As at and for the six months ended 30 June 2015: (Continued)

	Trading 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)	Total <i>HK\$'000</i> (Unaudited)
Assets				
Segment assets	523	2,407,599	17,841	2,425,963
Unallocated assets				
– Cash and cash equivalents				808,848
– Investment properties				28,713
– Interests in associated companies				690,512
– Interests in joint ventures				6,388,281
– Dividend receivable from an associated company				97,960
– Construction in progress				78,034
– Prepaid land lease payment				644,012
Total assets				11,162,323
Liabilities				
Segment liabilities	2,824	85,711	2,824	91,359
Unallocated liabilities				
– Trade and other payables				366,721
– Dividend payable				62,154
– Deferred tax liabilities				96,791
Total liabilities				617,025
Capital expenditures	<u>–</u>	<u>10,257</u>	<u>–</u>	<u>10,257</u>

4 SEGMENT REPORTING (CONTINUED)

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

(ii) As at 31 December 2014 and for the six months ended 30 June 2014:

	Trading 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	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 loss					<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>
		Trading 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)	Total <i>HK\$ '000</i> (Unaudited)
Other segment items					
Bank interest income		6,159	207	6,159	12,525
Depreciation and amortisation		<u>(358)</u>	<u>(90,387)</u>	<u>(357)</u>	<u>(91,102)</u>

4 SEGMENT REPORTING (CONTINUED)

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

(ii) As at 31 December 2014 and for the six months ended 30 June 2014: (Continued)

	Trading 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)	Total <i>HK\$ '000</i> (Audited)
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 payment				660,026
Total assets				<u><u>11,557,116</u></u>
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				<u><u>1,279,934</u></u>
Capital expenditures	<u><u>18</u></u>	<u><u>218,637</u></u>	<u><u>19</u></u>	<u><u>218,674</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 2015 <i>HK\$'000</i> (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> (Audited)
Non-current assets		
– Hong Kong	572,401	451,001
– The PRC	6,627,435	6,433,496
– Other countries	2,576,723	2,668,343
	<u>9,776,559</u>	<u>9,552,840</u>
Total assets		
– Hong Kong	1,351,463	1,754,015
– The PRC	7,146,969	7,041,789
– Other countries	2,663,891	2,761,312
	<u>11,162,323</u>	<u>11,557,116</u>
	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Capital expenditures		
– Hong Kong	–	37
– The PRC	10,257	21,392
	<u>10,257</u>	<u>21,429</u>

(c) Major customer

For the six months ended 30 June 2015, one (six months ended 30 June 2014: one) customer from crude oil jetty services and vessel charter services has transactions that exceeded 10% of the Group's revenue, amounting to HK\$407,568,000 (six months ended 30 June 2014: HK\$3,414,815,000). This customer operates in the PRC.

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Bank interest income	6,691	12,921
Net foreign exchange gain/(loss)	870	(3,162)
Depreciation and amortisation	(84,721)	(91,224)
Operating lease charges		
– property rentals	(2,757)	(3,310)
– hire of vessels	(37,642)	(96,647)
	<u> </u>	<u> </u>

6 INCOME TAX EXPENSES

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current income tax:		
– PRC enterprise income tax	35,353	31,942
– Withholding tax	18,720	21,261
	<u> </u>	<u> </u>
	54,073	53,203
Deferred income tax:		
– Credited to the income statement	(6,581)	(1,547)
	<u> </u>	<u> </u>
	47,492	51,656
	<u> </u>	<u> </u>

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 for Hong Kong profits tax has been provided as the Group's subsidiaries in Hong Kong sustained adjusted losses for the six months ended 30 June 2015 and 2014. 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.

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 six months ended 30 June 2015 and 2014, withholding income tax was provided for undistributed profits of the Group's subsidiary, joint ventures and associated company established the PRC at tax rates of 5% or 10%.

7 DIVIDENDS

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interim dividend, declared	62,154	62,154

On 20 August 2015, the board of directors has resolved to declare an interim dividend of HK2.5 cents per ordinary share (2014: HK2.5 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 2015.

- (b) A dividend of HK\$62,154,000 that relates to the period to 31 December 2014 was paid in July 2015 (2014: HK\$49,723,000).

8 EARNINGS PER SHARE

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (<i>HK\$'000</i>)	435,057	377,284
Weighted average number of ordinary shares in issue (<i>shares'000</i>)	2,486,160	2,486,160
Basic earnings per share (<i>HK cents per share</i>)	17.50	15.18

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 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Trade and bills receivables		
– An intermediate holding company and fellow subsidiaries	349,355	1,161,323
– Others	93,370	2,723
	<u>442,725</u>	<u>1,164,046</u>
Other receivables		
– Amounts due from an intermediate holding company and fellow subsidiaries	–	4,589
– Dividend receivable from an associated company	97,960	–
– Others	25,953	24,770
	<u>123,913</u>	<u>29,359</u>
	<u>566,638</u>	<u>1,193,405</u>

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

Trade and bills receivables are due within 30 to 90 days from the date of billing. Other receivables are unsecured, interest free and repayment on demand.

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

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Current	49,927	729,741
Less than 1 month past due	101,180	29,382
1 to 3 months past due	71,158	117,834
More than 3 months past due but less than 12 months past due	220,460	287,089
Amounts past due	392,798	434,305
	<u>442,725</u>	<u>1,164,046</u>

As at 30 June 2015 and 31 December 2014, trade receivables of approximately HK\$392,798,000 (2014: HK\$434,305,000) were past due but not impaired as there is no history of default.

10 TRADE AND OTHER PAYABLES

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Trade payables	35,986	694,557
Other payables		
– Amounts due to immediate and intermediate holding companies and fellow subsidiaries	308,646	341,498
– Creditors and accrued charges	64,200	63,916
– Land lease payable	30,420	38,277
– Consideration payable to acquire equity interests a joint venture	–	32,367
– Dividend payable	62,154	–
	465,420	476,058
	501,406	1,170,615

Trade payable balances are repayable within one year.

The amounts due to immediate and intermediate holding companies and fellow subsidiaries 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 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Due within 1 month or on demand	35,986	694,557

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 18 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 September 2015 (Monday) to 18 September 2015 (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 11 September 2015 (Friday). The cheques for dividend payment will be sent on or around 16 October 2015 (Friday).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

During the first half of 2015, the global economic recovery continued to face difficulties; for example, the increasing constraints from domestic resources and environment, structural adjustment in China's economy and slowing economic growth in China. Under these unfavorable macroeconomic conditions, the Board of the Company continued to execute the established development strategy to proactively expand the storage and logistics business, at the same time, strengthened risk control and personnel development, actively started to refine management, worked hard to reduce operating costs, and achieved satisfactory operating results. During the first half of 2015, due to core business adjustment, we did not launch crude oil trading business, and turnover of the Group decreased significantly to HK\$429 million, representing a decrease of 87.79% as compared with the same period of last year. However, benefited from the vessel charter business becoming profitable, and together with the steady growth of operating results from terminal companies, the consolidated net profit of the Group amounted to HK\$435 million in the first half of 2015, representing an increase of 15.40% as compared with the same period of last year.

During the first half of 2015, the Group continued to carry out domestic and overseas storage and logistics projects. Construction of LNG vessels under Papua New Guinea LNG project progressed smoothly, vessel no. 1, PUPUA, started commercial operation successfully in January 2015 and completed five voyages of LNG transportation smoothly in the first half of the year. Currently, vessel no. 2 is undergoing vessel outfitting works at the terminal, and will be delivered in the first half of next year as planned. The building of six LNG vessels under Phase I of Australia Pacific LNG project (“**APLNG Project**”) is on schedule, and it is expected that they will be put into operation one by one during 2016 to 2017. In the first half of 2015, the bidding for the building of two LNG vessels under Phase II of APLNG Project have been completed, and framework agreement on shipbuilding principles has been entered into with Dalian Shipbuilding Industry Co., Ltd. Also, all preparatory work for the building of LNG vessels under Phase II of APLNG Project has been carried out as planned.

Through the joint venture, Fujairah Oil Terminal FZC (“**FOT**”), the investment and mechanical construction of 1.155 million m³ oil storage project (“**FOT Project**”) was completed at the end of 2014. In the first half of 2015, FOT proactively carried out work in commissioning preparation, staff training, management control system setup, marketing for leases and operating license application. After completion of all preparation work for operation, the FOT Project entered commercial operation in February 2015. As the FOT Project completed and started operation, uncertainties over the project have been reduced, and since part of the project has secured long-term leases, in order to fully utilize the above-mentioned favorable conditions, lower the finance costs, and enhance the project’s return to shareholders, during the first half of the year, FOT started project re-financing and entered into related re-financing agreement successfully with National Bank of Abu Dhabi in the Middle East. In the first half of 2015, Vesta Terminals B.V. (“**Vesta**”), a joint venture of the Company in Europe, maintained stable operation. In order to strengthen safety production and the emergency response work, in the first half of 2015, the Company and Vesta jointly carried out an emergency response rehearsal. Through the rehearsal, the strain capacity of the Group and the joint ventures were further strengthened in respect of sudden accidents, which further enhanced safety management of the Group. Moreover, the construction of 2.60 million m³ oil storage and terminal facility project in Indonesia which was invested via PT. West Point Terminal by the Group was pushed forward. The Group will strive to overcome all difficulties and commence construction as soon as possible.

In February 2015, with immense support from shareholders, the acquisition of 100% equity interest in Sinopec Yu Ji Pipeline Company Limited (“**Yu Ji Pipeline Company**”) from China Petroleum & Chemical Corporation (“**Sinopec Corp.**”), the controlling shareholder of the Company, by a wholly-owned subsidiary of the Company, Sinomart KTS Development Limited (“**Sinomart Development**”), was successfully approved at the special general meeting of the Company. In the first half of the year, the Company worked closely with regulatory authorities during the approval processes of the said acquisition, creating condition for the equity transfer of Yu Ji Pipeline Company.

During the first half of 2015, Huade Petrochemical Company Ltd (“**Huade Petrochemical**”), a wholly-owned subsidiary of the Company, while organizing the construction of its fuel oil storage project, also strived to strengthen its operation management. In the first half of the year, a total of 47 oil tankers berthed with 6.31 million tonnes of crude oil unloaded, representing a decrease of 0.47% as compared with the same period of last year; 6.23 million tonnes of crude oil were transmitted, representing a decrease of 0.80% as compared with the same period of last year; segment profit of HK\$154 million was realized, representing an increase of 10.61% as compared with the same period of last year. In the first half of 2015, the Group fully utilized the favorite timing of international spot tanker market recovery, actively strengthened the communication and linkage with customers, reasonably dispatched and scheduled cargo of each voyage, vessel charter business of Sinomart Development had turned from loss to profit. In the first half of the year, three chartered voyages were completed, generating revenue of HK\$105 million in the vessel charter segment, and segment profit of HK\$16.87 million was realized. In the first half of 2015, promoted by the continued increase in crude oil import in the PRC, the aggregate throughput volume of the domestic terminal joint ventures and associated companies of the Company continued to have stable growth. In the first half of the year, the aggregate throughput volume of Zhan Jiang Port Petrochemical Jetty Co. Limited, Qingdao Shihua Crude Oil Terminal Co. Ltd., Ningbo Shihua Crude Oil Terminal Co. Ltd., Rizhao Shihua Crude Oil Terminal Co. Ltd., Tianjin Port Shihua

Crude Oil Terminal Co. Ltd., Tangshan Caofeidian Shihua Crude Oil Terminal Co. Ltd. amounted to 89.73 million tonnes, representing an increase of 14.71% compared with the same period of last year, generating investment return of HK\$330 million, representing an increase of 16.20% compared with the same period of last year, which actively promoted the enhancement of the profitability of the Group.

During the second half of 2015, the Company will strive to perform better in its existing operations, and at the same time obtain regulatory approvals for the acquisition of Yu Ji Pipeline Company, and complete the acquisition of Yu Ji Pipeline Company as soon as possible, so as to further enhance the operational scale and profitability of the Group. In addition, the production and operation management of FOT will also be emphasized, proactively improve leasing for overseas storage projects, strive to enhance the profitability of overseas storage projects, and achieve or exceed the annual production and operation targets, strive to reward our shareholders, staff and society with excellent results.

TURNOVER AND COST OF SALES

In the first half of 2015, the Group's turnover was approximately HK\$428,697,000 (in the first half of 2014: HK\$3,510,630,000), representing a decrease of 87.79% as compared with the same period of last year. The cost of sales was approximately HK\$232,772,000 (in the first half of 2014: HK\$3,357,319,000), representing a decrease of 93.07% as compared with the same period of last year. The decrease in both turnover and cost of sales was mainly due to the Group has terminated the previous trading activities during the period and is actively exploring other possible types of trading which can be better aligned with the Group's business strategy.

GROSS PROFIT AND OPERATING PROFIT

In the first half of 2015, the Group's gross profit was approximately HK\$195,925,000 (in the first half of 2014: HK\$153,311,000), representing an increase of 27.80% as compared with the same period of last year. The operating profit was approximately HK\$154,567,000 (in the first half of 2014: HK\$108,950,000), representing an increase of 41.87% as compared with the same period of last year. Both gross profit and operating profit increased during the first half of 2015, was mainly benefited from the vessel charter business, which turned from loss to profit, and the improvement of operation results of Huade Petrochemical, a wholly-owned subsidiary of the Company.

FINANCE INCOME

In the first half of 2015, the Group's finance income amounted to approximately HK\$6,840,000 (in the first half of 2014: HK\$2,982,000), representing an increase of 129.38% as compared with the same period of last year. The increase in finance income was mainly attributable to the increase in long-term shareholders' loan by the Group for the new development projects, and the increase in interest income from long-term shareholders' loan.

PROFIT FOR THE PERIOD

In the first half of 2015, the Group's profit for the period amounted to approximately HK\$435,092,000 (in the first half of 2014: HK\$377,022,000), representing an increase of 15.40% as compared with the same period of last year. The increase in profit for the period was mainly benefited from the vessel charter business, which turned from loss to profit in the first half of 2015. In addition, the investment return from domestic terminal associated companies and joint ventures also showed different level of growth.

GEARING RATIO

As at 30 June 2015, the Group's current ratio (current assets to current liabilities) was 2.66 (as at 31 December 2014: 1.70) and gearing ratio (total liabilities to total assets) was 5.53% (as at 31 December 2014: 11.07%).

LIQUIDITY AND SOURCE OF FINANCE

As at 30 June 2015, cash and cash equivalents of the Group was approximately HK\$808,848,000 (as at 31 December 2014: HK\$795,558,000). Current liabilities amounted to HK\$520,234,000 (as at 31 December 2014: HK\$1,176,594,000), among which, the trade and other payables amounted to approximately HK\$501,406,000 (as at 31 December 2014: HK\$1,170,615,000). The significant decrease in both current liabilities and trade and other payables was mainly attributable to the Group not launching crude oil trading in the first half of 2015, as such there were no trade payables incurred relating to crude oil trading business.

TRADE RECEIVABLES, BILLS RECEIVABLES AND OTHER RECEIVABLES

As at 30 June 2015, the Group's trade receivables, bills receivables and other receivables amounted to HK\$566,638,000 (as at 31 December 2014: HK\$1,193,405,000). The significant decrease in trade receivables, bills receivables and other receivables was mainly attributable to the Group not launching crude oil trading in the first half of 2015, as such there was no trade receivables incurred relating to crude oil trading business.

MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 10 February 2015, at the special general meeting of the Company, the acquisition of the entire equity interest in Yu Ji Pipeline Company from Sinopec Corp. by Sinomart Development, a wholly-owned subsidiary of the Company, was approved. For details of the above acquisition, please refer to the circular of the Company dated 20 January 2015 published on the website of The Stock Exchange of Hong Kong Limited and on the Company's website. According to the acquisition agreement, the acquisition of the entire equity interest in Yu Ji Pipeline Company shall be subject to the approval from relevant department of the PRC government. As at 30 June 2015, the acquisition was still under the consideration and approval processes of the PRC government.

RISKS ASSOCIATED WITH EXCHANGE RATE FLUCTUATION

The Company operates oil storage and terminal businesses through its wholly-owned subsidiaries, joint ventures and associated companies in China, Europe and United Arab Emirates, respectively. Operating income from such companies are in RMB, Euro and USD, and may create exchange rate risks to the Group if RMB, Euro and USD fluctuate.

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 of the expansion of storage and logistics businesses. On 9 October 2012, the Group entered into a share purchase agreement to acquire 95% equity interest in PT. West Point Terminal and entered into the shareholders' agreement (the **"Shareholders' Agreement"**) for the construction of storage tanks and terminal ancillary facilities of 2.60 million m³ storage capacity in Batam, Indonesia. In accordance with the Shareholders' Agreement, as at 30 June 2015, the Group shall bear 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, on 30 June 2015, the Group had a shareholder's loan obligation in the balance of USD96,000. On 28 April 2013, the Group entered into the vessel sponsors' undertakings (the **"Vessel Sponsors' Undertakings"**) in relation for the construction of six LNG vessels under Phase I of APLNG Project. Pursuant to the Vessel Sponsors' Undertakings, as at 30 June 2015, the Group undertook a contribution obligation not exceeding the balance of USD123,530,000 in relation to the necessary shareholder's loan and cost overruns for vessel construction. Along with the progress of project and schedule, the Group will 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 difference between the amount in Hong Kong Dollar 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 significant foreign exchange risk.

EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2015, the Group had a total of 265 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 2015, 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 the 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 2015, 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	Approximate % of the issued share capital of the Company
Sinopec Kantons International Limited (<i>Note</i>)	Long position	1,500,000,000	Beneficial owner	60.33%

Note: The entire issued share capital of Sinopec Kantons International Limited is held by China International United Petroleum & Chemical Co., Ltd. (“UNIPPEC”). The controlling interest in the registered capital of UNIPPEC is held by China Petroleum & Chemical Corporation, 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 Listing Rules throughout the six months ended 30 June 2015.

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 2015.

SHARE OPTION SCHEME

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

AUDIT COMMITTEE

The Audit Committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, 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 of the Company 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 2015.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company (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 of the Company (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 2015, 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 2015.

FURTHER PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The financial and other data as required by Paragraph 46 set out in the Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.sinopec.com.hk). The interim report for the six months ended 30 June 2015 will be dispatched to the shareholders and made available on the same websites in due course.

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

Hong Kong, 20 August 2015

As at the date of this announcement, the Board 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 purposes only*