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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 of directors (the “**Directors**”) (the “**Board**”) of Sinopec Kantons Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”). Financial data in this announcement, together with the comparative figures for the corresponding period in 2022, were extracted from the 2023 unaudited condensed consolidated interim financial report, which have been reviewed by KPMG and the audit committee of the Company (the “**Audit Committee**”).

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4,5	308,729	323,700
Cost of providing services	6	<u>(155,841)</u>	<u>(151,648)</u>
Gross profit		152,888	172,052
Other income and other gains, net	6	49,324	48,956
Distribution costs		(6,242)	(5,938)
Administrative expenses	6	<u>(51,407)</u>	<u>(63,595)</u>
Operating profit		144,563	151,475
Finance income		127,235	10,782
Finance costs		(419)	(471)
Share of results of:			
– Joint ventures		438,209	159,812
– Associates		<u>96,124</u>	<u>101,284</u>
Profit before income tax		805,712	422,882
Income tax expenses	7	<u>(61,528)</u>	<u>(66,360)</u>
Profit for the period		<u>744,184</u>	<u>356,522</u>
Profit attributable to:			
Equity holders of the Company		744,189	356,856
Non-controlling interests		<u>(5)</u>	<u>(334)</u>
		<u>744,184</u>	<u>356,522</u>
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents)	9		
Basic		29.93	14.35
Diluted		<u>29.93</u>	<u>14.35</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	744,184	356,522
Other comprehensive income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on currency translation		
– Subsidiaries	(71,050)	(85,804)
– Joint ventures	(119,066)	(277,432)
– Associates	(34,112)	(51,405)
	<u>(224,228)</u>	<u>(414,641)</u>
Cash flow hedges		
– Joint ventures	15,880	178,660
– An associate	2,116	9,133
	<u>17,996</u>	<u>187,793</u>
Other comprehensive income for the period, net of nil tax	<u>(206,232)</u>	<u>(226,848)</u>
Total comprehensive income for the period	537,952	129,674
Total comprehensive income attributable to:		
Equity holders of the Company	537,957	130,008
Non-controlling interests	(5)	(334)
	<u>537,952</u>	<u>129,674</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Note</i>	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		1,344,802	1,453,295
Right-of-use assets		58,580	66,946
Investment properties		16,719	17,337
Prepayment		1,759	1,887
Interests in joint ventures		6,848,801	6,672,394
Interests in associates		983,517	1,063,145
Total non-current assets		<u>9,254,178</u>	<u>9,275,004</u>
Current assets			
Inventories		3,403	4,119
Trade and other receivables	10	985,755	590,647
Time deposits with original maturity of more than three months		4,837,766	3,000,000
Cash and cash equivalents		750,745	2,490,097
Total current assets		<u>6,577,669</u>	<u>6,084,863</u>
Total assets		<u>15,831,847</u>	<u>15,359,867</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		248,616	248,616
Reserves		14,855,297	14,615,679
Equity attributable to equity holders of the Company		15,103,913	14,864,295
Non-controlling interests		2,064	2,069
Total equity		<u>15,105,977</u>	<u>14,866,364</u>

		As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		185,600	178,056
Government grants		50,449	53,714
Lease liabilities		23,082	27,910
		<u>259,131</u>	<u>259,680</u>
Total non-current liabilities		259,131	259,680
Current liabilities			
Trade and other payables	11	437,110	143,301
Income tax payable		25,289	83,412
Lease liabilities		4,340	7,110
		<u>466,739</u>	<u>233,823</u>
Total current liabilities		466,739	233,823
Total liabilities		725,870	493,503
Total equity and liabilities		15,831,847	15,359,867
Net current assets		6,110,930	5,851,040
Total assets less current liabilities		15,365,108	15,126,044

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 (together, the “**Group**”) are principally engaged in the provision of crude oil jetty and storage services. The principal activities of the associates and joint ventures of the Group are principally engaged in operation of crude oil and oil product terminals and ancillary facilities, provision of logistics services including storage, transportation and terminal services.

The condensed consolidated interim financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated. This condensed consolidated interim financial information was approved by the board of directors on 22 August 2023.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information set out in this announcement does not constitute the unaudited condensed consolidated interim financial report of the Group for the six months ended 30 June 2023 but is extracted from that financial report which has been prepared in accordance with applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The condensed consolidated interim financial report does not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with HKFRSs.

The condensed consolidated interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

3 ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

A number of new or amended standards became applicable for the current reporting period. These standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

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 chief operating decision-maker ("CODM") for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments, namely, crude oil jetty and storage services and vessel chartering and logistics services. All operating segments which fulfil the aggregation criteria under HKFRS 8, *Operating segments* have been identified by the Group's CODM and aggregated in arriving at the reportable segments of the Group.

- Crude oil jetty and storage services: this segment provides crude oil transportation, unloading, storage and other jetty services for oil tankers. Currently, the Group's activities in this regard, including those carried out through its joint ventures and associate, are carried out in the People's Republic of China (the "PRC"), Europe and the Middle East.
- Vessel chartering and logistics services: this segment provides vessel chartering services for liquefied natural gas transportation. Currently, the Group's activities in this regard are mainly carried out through its joint venture and associate in PRC, Australia and Papua New Guinea.

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

Segment assets include all assets, except for cash and cash equivalents, time deposits with original maturity of more than three months, investment properties, dividend receivables from joint ventures and an associate, right-of-use assets, unallocated other receivables and property, plant and equipment. Segment liabilities exclude unallocated other payables, lease liabilities and deferred income tax liabilities. The Group's CODM has determined to present segment assets, liabilities and results of associates and joint ventures under respective segments.

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 of assets or amortisation of assets attributable to those segments. The measure used for reporting segment profit is "segment results". Segment results include 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 other corporate costs or income are excluded from segment results.

In addition to receiving segment information concerning segment results, CODM is also provided with segment information concerning interest income, depreciation and additions to non-current segment assets of each segment.

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance is set out as follows:

(a) Segment results, assets and liabilities

(i) As at and for the six months ended 30 June 2023:

For the six months ended 30 June 2023

	Crude oil jetty and storage services <i>HK\$'000</i> (Unaudited)	Vessel chartering and logistics services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue			
– Segment revenue	<u>308,729</u>	<u>–</u>	<u>308,729</u>
Revenue from external customers	<u><u>308,729</u></u>	<u><u>–</u></u>	<u><u>308,729</u></u>
Segment results			
– A subsidiary	137,513	–	137,513
– Joint ventures	380,422	57,787	438,209
– Associates	<u>89,259</u>	<u>6,865</u>	<u>96,124</u>
	<u>607,194</u>	<u>64,652</u>	<u>671,846</u>
Unallocated other corporate net income			<u>133,866</u>
Profit before income tax			805,712
Income tax expenses			<u>(61,528)</u>
Profit for the period			<u><u>744,184</u></u>
Other segment items			
Interest income	1,227	–	1,227
Depreciation	(68,773)	–	(68,773)
Additions to non-current segment assets	–	–	–
Impairment loss on trade and other receivables	<u>–</u>	<u>–</u>	<u>–</u>

As at 30 June 2023

	Crude oil jetty and storage services HK\$'000 (Unaudited)	Vessel chartering and logistics services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets			
– A subsidiary	2,113,158	–	2,113,158
– Joint ventures	5,824,632	1,024,169	6,848,801
– Associates	905,341	78,176	983,517
	<u>8,843,131</u>	<u>1,102,345</u>	<u>9,945,476</u>
Unallocated assets			
– Cash and cash equivalents			750,745
– Time deposits with original maturity of more than three months			4,837,766
– Other receivables			67,345
– Investment properties			16,719
– Right-of-use assets			
• properties in Hong Kong			2,439
– Dividend receivables from joint ventures and an associate			210,104
– Property, plant and equipment			1,253
			<u>5,886,371</u>
Total assets			<u><u>15,831,847</u></u>
Segment liabilities	<u>155,717</u>	<u>–</u>	<u>155,717</u>
Unallocated liabilities			
– Other payables			376,159
– Income tax payables			5,651
– Lease liabilities			2,743
– Deferred income tax liabilities			185,600
			<u>570,153</u>
Total liabilities			<u><u>725,870</u></u>

(ii) As at 31 December 2022 and for the six months ended 30 June 2022:

For the six months ended 30 June 2022

	Crude oil jetty and storage services <i>HK\$'000</i> (Unaudited)	Vessel chartering and logistics services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue			
– Segment revenue	323,700	–	323,700
Revenue from external customers	<u>323,700</u>	<u>–</u>	<u>323,700</u>
Segment results			
– A subsidiary	155,156	–	155,156
– Joint ventures	108,761	51,051	159,812
– Associates	96,401	4,883	101,284
	<u>360,318</u>	<u>55,934</u>	<u>416,252</u>
Unallocated other corporate net income			<u>6,630</u>
Profit before income tax			422,882
Income tax expenses			<u>(66,360)</u>
Profit for the period			<u><u>356,522</u></u>
Other segment items			
Interest income	389	–	389
Depreciation	(60,260)	–	(60,260)
Additions to non-current segment assets	–	–	–
Impairment loss on trade and other receivables	(2)	–	(2)
	<u><u>(2)</u></u>	<u><u>–</u></u>	<u><u>(2)</u></u>

	Crude oil jetty and storage services <i>HK\$'000</i> (Audited)	Vessel chartering and logistics services <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets			
– A subsidiary	2,060,338	–	2,060,338
– Joint ventures	5,710,207	962,187	6,672,394
– Associates	992,476	70,669	1,063,145
	<u>8,763,021</u>	<u>1,032,856</u>	<u>9,795,877</u>
Unallocated assets			
– Cash and cash equivalents			2,490,097
– Time deposit with original maturity of more than three months			3,000,000
– Other receivables			47,987
– Investment properties			17,337
– Right-of-use assets			
• properties in Hong Kong			4,760
– Dividend receivable from an associate			2,527
– Property, plant and equipment			1,282
			<u>5,563,990</u>
Total assets			<u><u>15,359,867</u></u>
Segment liabilities	<u>215,866</u>	<u>–</u>	<u>215,866</u>
Unallocated liabilities			
– Other payables			94,149
– Income tax payable			33
– Lease liabilities			5,399
– Deferred income tax liabilities			178,056
			<u>277,637</u>
Total liabilities			<u><u>493,503</u></u>

(b) **Analysis of information by geographical regions**

During the six months ended 30 June 2023 and 2022, all of the Group's revenue was generated from the customers located in the PRC.

The following tables set out information about the geographical information of the Group's non-current assets and total assets which are based on the geographical location of the assets.

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Non-current assets		
– The PRC	6,681,623	6,784,840
– Europe	846,037	813,048
– Hong Kong	1,122,241	1,055,692
– United Arab Emirates	603,760	620,880
– Other regions	517	544
	<u>9,254,178</u>	<u>9,275,004</u>
	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Total assets		
– The PRC	7,628,657	7,647,035
– Hong Kong	6,736,677	6,261,810
– Europe	846,037	813,048
– Indonesia	16,199	16,550
– United Arab Emirates	603,760	620,880
– Other regions	517	544
	<u>15,831,847</u>	<u>15,359,867</u>

(c) **Major customers**

For the purpose of disclosure under segment reporting for the six months ended 30 June 2023, several customers, being the branches and subsidiaries of China Petrochemical Corporation (“**Sinopec Group**”), including China Petroleum & Chemical Corporation Guangzhou Branch and Sinopec Fuel Oil Sales Corporation Limited, from crude oil jetty services have transactions that exceeded 93% (2022: 93%) of the Group's revenue, amounting to approximately HK\$286,527,000 (2022: HK\$300,168,000). These customers mainly operate in the PRC.

5 REVENUE

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
– Provision of crude oil jetty services (<i>Note</i>)	<u>238,067</u>	<u>257,127</u>
Revenue from other sources		
Rental revenue from operating leases with customers		
– Lease payments that are fixed or depend on an index or a rate	34,513	36,829
– Variable lease payments that do not depend on an index or a rate	<u>36,149</u>	<u>29,744</u>
	<u>70,662</u>	<u>66,573</u>
	<u>308,729</u>	<u>323,700</u>

Note: Revenue from provision of crude oil jetty services is recognised at a point in time.

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net foreign exchange gain	(15,110)	(15,587)
Depreciation		
– Property, plant and equipment	65,984	57,494
– Investment properties	619	619
– Right-of-use assets	<u>5,412</u>	<u>12,088</u>

7 INCOME TAX EXPENSES

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current income tax:			
– Hong Kong profits tax	(b)	3,446	2,711
– PRC corporate income tax	(c)	<u>44,573</u>	<u>71,554</u>
		48,019	74,265
Deferred income tax charged/(credited)	(d)	<u>13,509</u>	<u>(7,905)</u>
		<u>61,528</u>	<u>66,360</u>

Notes:

- (a) The Company was incorporated in 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.
- (b) Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the six months ended 30 June 2023 and 2022.
- (c) Except for withholding tax on dividend as explained in Note (d), the provision for PRC corporate income tax is based on statutory income tax rate of 25% of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC (2022: 25%).
- (d) Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding tax at a tax rate of 5% or 10%. During the six months ended 30 June 2023, withholding tax was provided for the portion of the relevant undistributed profits of the Group's subsidiary, joint ventures and associates established in the PRC at a tax rate of 5% (2022: 5%).

8 DIVIDENDS

(a)

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interim dividend, declared	<u>248,616</u>	<u>198,893</u>

On 22 August 2023, the board of directors has resolved to declare an interim dividend of HK10.0 cents per ordinary share (2022: HK8.0 cents per ordinary share). This interim dividend has not been recognised as a liability in this condensed consolidated interim financial information.

(b) The final dividend of approximately HK\$298,339,000 that relates to the year ended 31 December 2022 was approved in Annual General Meeting on 12 June 2023 and was paid on 25 July 2023 (2022: HK\$298,339,000).

9 EARNINGS PER SHARE

The calculation of basis earnings per share are based on the following data:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Earnings (in HK\$'000)		
Profit attributable to equity holders of the Company	<u>744,189</u>	<u>356,856</u>
Number of shares		
Weighted average number of ordinary shares in issue (in thousand)	<u>2,486,160</u>	<u>2,486,160</u>
Basic earnings per share (HK cents per share)	<u><u>29.93</u></u>	<u><u>14.35</u></u>

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 periods.

10 TRADE AND OTHER RECEIVABLES

	As at	As at
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables from:		
– An intermediate holding company	692,483	534,665
– Others	<u>7,587</u>	<u>1,421</u>
	<u><u>700,070</u></u>	<u><u>536,086</u></u>
Other receivables		
– Dividend receivables from joint ventures and associates	210,104	2,527
– Interest receivables	52,703	32,414
– Others	<u>22,878</u>	<u>19,620</u>
	<u><u>285,685</u></u>	<u><u>54,561</u></u>
	<u><u>985,755</u></u>	<u><u>590,647</u></u>

The Group grants credit periods of 30 to 90 days or one year from the invoice date to its customers.

The amounts due from an intermediate holding company are unsecured, interest free and repayable on demand.

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

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Within 1 month	97,109	46,896
1 to 2 months	3,572	42,643
2 to 3 months	40,716	42,384
3 to 12 months	410,996	404,163
Over 12 months	147,677	–
	<u>700,070</u>	<u>536,086</u>

11 TRADE AND OTHER PAYABLES

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Trade payables from:		
– Related parties	850	738
– Others	29,338	36,480
	<u>30,188</u>	<u>37,218</u>
Other payables		
– Amounts due to the immediate holding company, an intermediate holding company and other related parties	22,098	15,357
– Accrued charges	86,485	90,726
– Dividend payables	298,339	–
	<u>406,922</u>	<u>106,083</u>
	<u>437,110</u>	<u>143,301</u>

Trade payable balances are repayable within one year.

The amounts due to the immediate holding company, an intermediate holding company and other related parties are unsecured, interest free and repayable on demand.

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

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Within 1 month	2,590	9,370
1 to 3 months	27	153
3 to 12 months	1,322	618
Over 12 months	<u>26,249</u>	<u>27,077</u>
	<u>30,188</u>	<u>37,218</u>

12 PT. WEST POINT TERMINAL PROJECT

In 2012, the Group acquired 95% equity interest in PT. West Point Terminal (“**PT. West Point**”), and proposed to invest and construct an oil storage terminal in Indonesia (the “**Batam Project**”) via it. Due to certain disputes between the shareholders on Batam Project, the shareholder from Indonesia filed two arbitration requests against the Group in 2016 to the International Court of Arbitration of the International Chamber of Commerce (the “**ICC Court**”). In 2019, the Group received two arbitral awards from the ICC Court in the Group’s favour with respect to the aforesaid arbitration requests.

To secure its right to enforce the arbitral awards in Indonesia, the Group has completed the necessary procedures with District Court of Central Jakarta in 2020.

In 2022, with the updated feasibility study report of the Batam Project, which provided a basis for subsequent decision of the project, the Board had deliberate discussions and has in principle decided not to continue with the Batam Project. A full impairment of the noncurrent assets with amount totalling HK\$629,772,000 was recognised for the year ended 31 December 2022.

Further details relating to the project are set out in the Company’s announcements dated 25 April 2010, 9 October 2012, 15 November 2016, 21 March 2017, 6 December 2019 and 23 December 2022.

13 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, Kantons International Investment Ltd. and COSCO SHIPPING LNG Investment (Shanghai) Co., Ltd., the shareholders of China Energy Shipping Investment Co., Ltd. (“**China Energy**”), a joint venture of the Group, have reached preliminary understanding on the intention to make further investments into China Energy through capital injection. For details please refer to the Company’s announcement dated 22 August 2023. No adjustment has been made in the unaudited condensed consolidated interim financial report of the Group for the six months ended 30 June 2023 in this regard.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK10 cents per share in cash for the year 2023 to shareholders whose names appear on the register of members of the Company on 22 September 2023 (Friday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the interim dividend, from 18 September 2023 (Monday) to 22 September 2023 (Friday) (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:00 p.m. on 15 September 2023 (Friday). The cheques for dividend payment will be sent on or around 18 October 2023 (Wednesday).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

In the first half of 2023, the world economy continued to be under pressure, the crisis in Ukraine and the risk of financial turmoil in the United States and Europe continued to spill over, the price of crude oil is oscillating downwards and many unstable, uncertain and unpredictable factors are still present. During the first half of 2023, the domestic economy stabilized and rose while the demand recovered, and the overall economic situation has been improving. The Group actively responded to a series of changes in the operating environment, faced up to the difficulties and analyzed the situation carefully so as to maintain stable production and operations. The Board adhered to its established development strategy, further enhanced the level of refined management and strengthened its risk control. In addition, the Group strived to explore development opportunities to further expand the scale of the Group's operations and promote sustainable corporate development. In the first half of 2023, the Group's revenue amounted to approximately HK\$309 million, representing a year-on-year decrease of approximately 4.62%. The Company recorded a profit of approximately HK\$744 million during the Reporting Period, representing a year-on-year increase by approximately 108.73%, translating into profit attributable to equity holders of the Company of approximately HK29.93 cents per share. The increase in profit for the Reporting Period is primarily due to a valuation loss arising from the Group's equity interest in Vesta amounted to approximately HK\$281 million was recognised in the corresponding period of 2022. Taking the cash flow and the needs of future development of the Group into consideration, the Board announced to distribute the interim cash dividend for 2023 of HK10 cents per share, representing a year-on-year increase of 25%.

During the Reporting Period, Huade Petrochemical Co., Ltd. (“**Huade Petrochemical**”) in Huizhou Daya Bay, a wholly-owned subsidiary of the Company, maintained orderly production and operation, optimized tanker docking and unloading, reduced time lag and lowered its energy consumption as well as enhanced its level of efficiency creation while strictly controlling safety risks. Huade Petrochemical vigorously promoted the naphtha unloading upgrade and transformation project in Mabianzhou for providing service to a third party which laid the foundation for increasing Huade Petrochemical’s revenue scale in the future. During the Reporting Period, Huade Petrochemical unloaded approximately 5.98 million tonnes of crude oil from 44 oil tankers, representing a year-on-year decrease of approximately 6.85%, while it transmitted approximately 5.79 million tonnes of crude oil, representing a year-on-year increase of approximately 0.17%. With additional depreciation charge arising from the new submarine crude oil pipelines acquired in late 2022 and depreciation of Renminbi against Hong Kong dollar during the Reporting Period, both segment revenue and results decreased. The segment revenue from Huade Petrochemical was approximately HK\$309 million, representing a year-on-year decrease of approximately 4.62%; while the segment results were approximately HK\$138 million, representing a year-on-year decrease of approximately 11.37%.

During the Reporting Period, in the face of the turbulence in the international market, Zhan Jiang Port Petrochemical Jetty Co., Ltd. (“**Zhan Jiang Port Petrochemical**”), 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 Port Shihua**”) and Tangshan Caofeidian Shihua Crude Oil Terminal Co., Ltd. (“**Caofeidian Shihua**”), being the associate and joint ventures of the Company (collectively, the “**Six Domestic Terminal Companies**”), made every effort to compete for source of goods. They continued to focus on the customized needs of customers and promote new industrial development; and strengthened risk prevention and control and compliance management to ensure continual stable operation. In the first half of 2023, mainly due to the impact of decrease of crude oil imports from local refineries, overhaul of some refineries and the depreciation of Renminbi against the Hong Kong dollar, the aggregate throughput of the Six Domestic Terminal Companies was approximately 105 million tonnes, representing a year-on-year decrease of approximately 4.55%; and generated a total investment return of approximately HK\$410 million for the Company, representing a year-on-year decrease of approximately 11.06%.

During the Reporting Period, the global oil storage market experienced a low start followed by an uptrend, and the operating environment was more favorable for the tank rental business. Seizing the favourable opportunity, Fujairah Oil Terminal FZC (“**FOT**”), a joint venture of the Company in the Middle East, actively optimized and adjusted its market strategy. On the basis that 100% occupancy rate has been ensured, FOT has been pushing up rental rate level continuously. In addition, FOT accelerated the construction of a pipeline network connecting its storage area to the very large crude carrier (“**VLCC**”) terminal at the port to enhance FOT’s business capabilities and increase the scale of its future revenue and profit. In the first half of 2023, FOT generated an investment return of approximately HK\$49.79 million for the Company, representing an increase of approximately 57.66% year-on-year. In the first half of 2023, Vesta Terminals B.V. (“**Vesta**”), a joint venture of the Company in Europe, further intensified its market development efforts, with improvements in both tank occupancy and average rental rate level. Coupled with the initial results of the cost reduction and efficiency

enhancement measures previously introduced, the overall operating results were improved accordingly. Vesta generated an investment return of approximately HK\$10.10 million for the Company in the first half of 2023, as compared to Group's overall investment loss in Vesta (including share of loss on daily operations in Vesta) of approximately HK\$287 million in the same period of 2022. Meanwhile, Vesta is highly concerned about the trend of green energy transformation and is working with another third party to explore the feasibility of a green ammonia uploading and storage project in order to promote business transformation.

In the first half of 2023, the Group's liquefied natural gas ("LNG") vessel logistics business continued to maintain steady operations and achieved better economic results. In the first half of 2023, the eight LNG vessels completed a total of 45 voyages and generated an investment return of approximately HK\$64.65 million for the Company, representing a year-on-year increase of approximately 15.59%.

Looking ahead to the second half of 2023, the domestic economy will continue to achieve recovery growth, but the external environment will remain highly uncertain. Against the backdrop of continued tightening of monetary policies, the recovery of the global industrial chain will be slow, with risks of inflation and the overall recovery of the world economy remained to be severe. The Board of the Company will earnestly implement the high-quality development concept, precise analysis and scientific planning, actively cope with various types of risks, strive to expand its core business, to explore its business transformation so as to achieve the annual production and operation targets and create value for shareholders of the Company on a sustainable basis.

Revenue, Gross Profit and Operating Profit

In the first half of 2023, the Group's revenue was approximately HK\$308,729,000 (first half of 2022: HK\$323,700,000), representing a decrease of approximately 4.62% as compared with the same period in 2022; gross profit was approximately HK\$152,888,000 (first half of 2022: HK\$172,052,000), representing a decrease of approximately 11.14% as compared with the same period in 2022; operating profit was approximately HK\$144,563,000 (first half of 2022: HK\$151,475,000), representing a decrease of approximately 4.56% year-on-year. The decreases in the Group's revenue, gross profit and operating profit for the Reporting Period were mainly attributable to (i) the year-on-year increase in rigid costs such as depreciation expenses and environmental hygiene expenses, etc; and (ii) the depreciation of Renminbi against Hong Kong dollar, which resulted in the decreases in the amount of revenue, gross profit and operating profit converted into Hong Kong dollars.

Segmental Information

In the first half of 2023, the segment revenue and segment results of the Group's crude oil jetty and storage business were approximately HK\$308,729,000 (first half of 2022: HK\$323,700,000) and HK\$607,194,000 (first half of 2022: HK\$360,318,000) respectively, representing decrease of approximately 4.62% and increase of approximately 68.52% respectively as compared with the same period in 2022. Despite the year-on-year decline in throughput of the Company's domestic terminal companies during the Reporting Period, the segment results of the crude oil jetty and storage business increased in the first half of 2023 due to a lower base as a result of the Group's attributable loss in respect of its interest in Vesta for the same period in 2022.

In the first half of 2023, the segment results of the Group's vessel chartering and logistics business were approximately HK\$64,652,000 (first half of 2022: HK\$55,934,000), representing an increase of approximately 15.59% year-on-year, which were mainly attributable to the cost control and continual stable logistics operation of vessels.

Administrative Expenses

In the first half of 2023, the Group's administrative expenses amounted to approximately HK\$51,407,000 (first half of 2022: HK\$63,595,000), representing a decrease of approximately 19.17% year-on-year, which was mainly attributable to 1) the absence of related depreciation expenses in the first half of 2023 as a result of the full impairment of the non-current assets of PT. West Point Terminal ("**PT. West Point**") made at the end of 2022; and 2) during the first half of 2022, the Company incurred professional service fees for engaging consultants to update the preparation of the feasibility study report for the Batam Island integrated storage and terminal project ("**Batam Project**") in Indonesia.

Finance Income

In the first half of 2023, the Group's finance income amounted to approximately HK\$127,235,000 (first half of 2022: HK\$10,782,000), representing a year-on-year increase of approximately 1,080.07%, which was mainly due to the year-on-year increase in interest rates on the Group's deposits during the Reporting Period, which were mainly held in Hong Kong dollars and United States dollars.

Share of Results of Joint Ventures

In the first half of 2023, the Group's share of results of joint ventures was approximately HK\$438,209,000 (first half of 2022: HK\$159,812,000), representing an increase of approximately 174.20% year-on-year, which was mainly due to the share of loss incurred by the Group in respect of its interest in Vesta in the same period in 2022.

Right-of-use Assets

As at 30 June 2023, the Group's right-of-use assets amounted to approximately HK\$58,580,000 (31 December 2022: HK\$66,946,000), representing a decrease of approximately 12.50% as compared with the end of 2022, which was mainly due to the amortisation of the Group's right-of-use assets over time.

Trade and Other Receivables

As at 30 June 2023, the Group's trade and other receivables amounted to approximately HK\$985,755,000 (as at 31 December 2022: HK\$590,647,000), representing an increase of approximately 66.89% as compared with the end of 2022, which was mainly due to the increases in the dividend receivables by the Group from its operating entities and trade receivables by Huade Petrochemical.

Liquidity and Source of Finance

As at 30 June 2023, the Group held cash and cash equivalents and time deposits with original maturity of more than three months totalling approximately HK\$5,588,511,000, which were mainly in Hong Kong dollars and United States dollars (as at 31 December 2022: HK\$5,490,097,000), representing an increase of approximately 1.79% as compared with the end of 2022, which was mainly due to the deposit interest and dividends from some of the operating entities received by the Group during the Reporting Period.

Current Ratio, Gearing Ratio and Liabilities to Assets Ratio

As at 30 June 2023, the Group's current ratio (current assets to current liabilities) was approximately 14.09 (as at 31 December 2022: 26.02), and its liabilities to assets ratio (total liabilities to total assets) was approximately 4.58% (as at 31 December 2022: 3.21%). The Group had no bank loans and other borrowings. Gearing ratio (total bank loans and other borrowings to total equity) was nil (as at 31 December 2022: nil).

Lease Liabilities

As at 30 June 2023, the Group's lease liabilities amounted to approximately HK\$27,422,000 (as at 31 December 2022: HK\$35,020,000), representing a decrease of approximately 21.70% as compared with the end of 2022. The decrease in lease liabilities was mainly due to rental payments made by the Group during the Reporting Period in accordance with the relevant payment schedule.

Trade and Other Payables

As at 30 June 2023, the Group's trade and other payables amounted to approximately HK\$437,110,000 (as at 31 December 2022: HK\$143,301,000), representing an increase of approximately 205.03% as compared with the end of 2022, which was mainly due to the increase in dividend payables of the Company to its shareholders.

Income Tax Payable

As at 30 June 2023, the income tax payable of the Group was approximately HK\$25,289,000 (as at 31 December 2022: HK\$83,412,000), representing a decrease of approximately 69.68% as compared with the end of 2022, which was mainly due to the payment of income tax on the gains arising from the disposal of submarine crude oil pipeline by Huade Petrochemical during the Reporting Period.

Significant Investment, Acquisition and Disposal and Future Plans for Significant Investments or Capital Assets

Save as disclosed in this announcement, the Company did not have any other significant investment, acquisition and disposal for the six months ended 30 June 2023. Save as disclosed in this announcement, the Board have not authorised any significant investments or additions to capital assets as at 30 June 2023.

Exchange Risk

The Company is engaged in petrochemical storage, jetty and logistics businesses in places including the PRC, Europe and United Arab Emirates through its subsidiaries, associates and joint ventures, which generate operating income in RMB, Euro and US\$ respectively. As the exchange rates of RMB, Euro and US\$ against HK\$ fluctuate, the Group faces exchange rate risk to a certain extent.

Save for the above, the Group was not exposed to any other significant exchange risks during the Reporting Period.

Contingent Liabilities and Assets Pledged by the Group

As at 30 June 2023 and as at the date of this announcement, contingent liabilities and assets pledged by the Group were as follows:

Guarantor	Beneficiary	Name of agreement	Content of clause	Date of agreement	Guarantee or pledge period	Pledge provided or guarantee balance as at 30 June 2023
Sinomart Development	FOT	Equity Pledge Agreement	Sinomart Development shall pledge its 50% equity interest in FOT to the banks which offered FOT a refinancing loan of USD280 million. ^{Note}	15 September 2021	Effective until full repayment of the loan	50% of equity interest held by Sinomart Development in FOT
Sinomart Development	PT. West Point	Land Lease Agreement	In the event that PT. West Point fails to pay to the lessor of Batam Project any amount of the land lease fee when due under the Land Lease Agreement, Sinomart Development shall pay, on demand, an amount obtained by multiplying such unpaid amount by the percentage representing its shareholding interest in PT. West Point.	9 October 2012	Effective for 30 years after the date of execution	SGD5.09 million

Note: The Sponsor Support Agreement of the original loan has been terminated, and the relevant equity pledge has been released. Please refer to the 2020 Annual Report of the Company for the Sponsor Support Agreement for the original loan.

Save for the above, the Group did not provide any other financial assistance or guarantee or pledge of shares or assets for other companies as at 30 June 2023 and as at the date of this announcement.

About The Batam Project

On 9 October 2012, the Company acquired 95% of the shares of PT. West Point through Sinomart Development, its wholly-owned subsidiary, and proposed to invest in and construct the Batam Project in Indonesia via PT. West Point. Due to the minority shareholder from Indonesia, the project entered into arbitration. The Group received arbitral awards in the Group's favour and obtained enforcement orders from the Indonesian Court in respect of the arbitral awards. In the second half of 2021, the Group has engaged two consulting agencies, which were responsible for the oil storage and jetty of the project respectively, to jointly prepare an updated feasibility study report, thereby providing basis for subsequent decisions on the project.

According to the feasibility report, the Batam Project was economically impractical due to factors including (a) the long-term impact of energy transition on the traditional oil storage market; and (b) increasing competition in respect of oil storage from the Singaporean region. Accordingly, the Board has decided not to continue to proceed with the Batam Project. The Group will continue to actively adopt various effective measures to protect the legitimate rights and interests of the Company and its shareholders.

For details, please refer to the relevant announcements dated 25 April 2010, 9 October 2012, 15 November 2016, 21 March 2017, 6 December 2019 and 23 December 2022 published by the Company on the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the website of the Company.

Events After The End Of The Reporting Period

On 22 August 2023, Kantons International Investment Limited (冠德國際投資有限公司) (“**Kantons Investment**”), a wholly owned subsidiary of the Company, and COSCO SHIPPING Investment (Shanghai) Co., Ltd. (上海中遠海運液化天然氣投資有限公司) (“**Shanghai COSCO SHIPPING LNG**”), an independent third party, intended to make further capital injection on a pro rata basis into China Energy Shipping Investment Co., Ltd. (中國能源運輸投資有限公司), a joint venture company owned as to 49% by Kantons Investment and 51% by Shanghai COSCO SHIPPING LNG, in an amount of US\$95,305,000 and US\$99,195,000, respectively. Proceeds from the capital injection is intended to be used for the design, construction, purchase and operation of three LNG vessels. Please refer to the announcement of the Company dated 22 August 2023 for details of the transaction.

Save as disclosed in this announcement, there was no other significant event which has occurred after the end of the Reporting Period and up to the date of this announcement.

Employees And Emolument Policies

As at 30 June 2023, the Group had a total of 228 employees (as at 30 June 2022: 223). The Company adheres to the philosophy of diversity and equal opportunities in employee recruitment, striving to ensure that the number of employees of both genders satisfies the Company's development needs. Remuneration packages of employees, including basic salaries, bonuses and benefits-in-kind, are structured with reference to market terms and trends of human resources costs in various regions as well as employees' contributions based on performance appraisals. Subject to the profit of the Group and the performance of employees, the Group also provides discretionary bonuses to employees as an incentive for their greater contributions. In addition, the Group also makes contributions to the Mandatory Provident Fund Schemes in Hong Kong and the retirement benefit schemes in the PRC established for its Hong Kong employees and PRC employees respectively in accordance with local laws and regulations.

OTHER INFORMATION

Directors' and Chief Executives' Interests or Short Positions in the Shares, Underlying Shares and Debentures

As at 30 June 2023, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")), which is required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which is required to be entered in the register kept under section 352 of the SFO or otherwise required to be notified by the Directors and the chief executives of the Company to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares

Save as disclosed below, the Directors are not aware of any person (other than the Directors and chief executives of the Company) who, as at 30 June 2023, had interests or short positions in the shares or underlying shares of the Company which would have to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or which were entered in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity and nature of interest	Number of ordinary shares held	Approximate% of the issued share capital
Sinopec Kantons International Limited ("Kantons International") ^(Note 1)	Beneficial owner	1,500,000,000(L) ^(Note 2)	60.33%(L)

Notes:

- (1) The entire issued share capital of Kantons International is held by China International United Petroleum & Chemicals Co., Ltd. (“UNIPEC”). The controlling interest in the registered capital of UNIPEC is ultimately held by China Petrochemical Corporation.
- (2) The letter “L” denotes the long position in the shares of the Company.

Corporate Governance

The Company is committed to achieving a high standard of corporate governance and reviews its corporate governance practices from time to time to safeguard and endeavour to enhance the rights and interests of its shareholders.

During the six months ended 30 June 2023, the Company has complied with the applicable provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding the Directors’ securities transactions. Having made specific enquiry to all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2023.

Changes in Directors’ Biographical Details

The changes in director’s biographical details disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company’s 2022 annual report up to the date of this announcement are set out below:

Independent non-executive Director Ms. Tam Wai Chu, Maria has resigned as independent non-executive director of Nine Dragons Paper (Holdings) Limited (a company listed on the Stock Exchange) with effect from 31 March 2023.

Audit Committee

The Audit Committee comprises all four independent non-executive Directors, of which one of the independent non-executive Directors, Mr. Fong Chung, Mark, is the chairperson of the Audit Committee. The Audit Committee is responsible for reviewing the accounting principles and practices, auditing, the internal control and risk management systems, internal audit and legal and regulatory compliance of the Group. Furthermore, the Audit Committee reviews the interim and annual results of the Group prior to recommending them to the Board to approval. The Audit Committee can meet to review financial reporting and risk management and internal control matters and has unrestricted access to the Company’s auditors. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2023.

Remuneration Committee

The remuneration committee of the Company (the “**Remuneration Committee**”) comprises four independent non-executive Directors and two executive Directors, of which one of the independent non-executive Directors, Ms. Tam Wai Chu, Maria, is the chairperson of the Remuneration Committee.

Nomination Committee

The nomination committee of the Company (the “**Nomination Committee**”) comprises four independent non-executive Directors and two executive Directors, of which one of the independent non-executive Directors, Dr. Wong Yau Kar, David, is the chairperson of the Nomination Committee.

Purchase, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2023.

Share Option Scheme

For the six months ended 30 June 2023, the Company had not established and implemented any share option scheme.

Sufficiency of Public Float

According to the information publicly available to the Company and to the best knowledge of the Directors, the Company had maintained sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2023 and as at the date of this announcement.

Corporate Sustainability

As a company specializing in petrochemical storage and logistics business, the Company adheres to the corporate mission of “satisfying customers, benefiting employees, bringing returns for shareholders, and contributing to the society”, and while creating value for our customers, the Company also attaches great importance to sustainable development, and actively fulfills corporate social responsibility.

The Company insists on green development, energy saving and emission reduction, and continues to publicize and practice the concept of environmental protection. As at the date of this announcement, the Company has been awarded the honorary title of “Hong Kong Green Organisation” and the “Energywi\$e Certificate” and “Wastewi\$e Certificate” under the “Hong Kong Green Organization Certification” scheme for consecutive years. In the first half of 2023, the Company organised its employees to participate in the annual global event “Earth Hour” as well as the Flag Day with the theme of “Together, Let’s Raise Funds To Revive Our Corals” organised by the World Wide Fund for Nature (WWF). In addition, we also actively organised and participated in activities such as beach and country park clean-ups to encourage our staff to contribute to the protection of the global environment.

The Company continued to exert its influence by actively encouraging its employees to participate in community service activities and enthusiastically take part in public welfare services, including paying attention to children and families living in difficult circumstances, the elderly and young people in the community. This year, the Company actively organised its employees to participate in Sinopec's "Better Life" (至美有你) youth and children caring program, which regularly provides academic support to children and youths from low-income families and arranges for them to participate in mutual help and support activities.

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

Hong Kong, 22 August 2023

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

Executive Directors

Mr. Chen Yaohuan (*Chairman*)
Mr. Zhong Fuliang
Mr. Mo Zhenglin
Mr. Yang Yanfei
Mr. Zou Wenzhi
Mr. Ren Jiajun
Mr. Sang Jinghua (*General Manager*)

Independent Non-executive Directors

Ms. Tam Wai Chu, Maria
Mr. Fong Chung, Mark
Dr. Wong Yau Kar, David
Ms. Wong Pui Sze, Priscilla

* *For identification purposes only*