

# INTERIM REPORT 2013



**SINOPEC KANTONS HOLDINGS LIMITED**  
(Incorporated in Bermuda with Limited Liability)  
(Stock Code: 934)





GROWTH, SUSTAINABILITY &  
BREAKTHROUGH





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# CORPORATION INFORMATION

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## **EXECUTIVE DIRECTORS**

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

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

## **AUDIT COMMITTEE MEMBERS**

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

## **REMUNERATION COMMITTEE MEMBERS**

Ms. Tam Wai Chu, Maria  
 Mr. Wong Po Yan  
 Mr. Fong Chung, Mark  
 Mr. Dai Zhao Ming  
 Mr. Ye Zhi Jun

## **NOMINATION COMMITTEE MEMBERS**

Mr. Wong Po Yan  
 Ms. Tam Wai Chu, Maria  
 Mr. Fong Chung, Mark  
 Mr. Dai Zhao Ming  
 Mr. Ye Zhi Jun

## **COMPANY SECRETARY**

Mr. Li Wen Ping  
 Mr. Lai Yang Chau, Eugene

## **AUDITORS**

PricewaterhouseCoopers  
 Certified Public Accountants  
 22/F, Prince's Building  
 10 Chater Road  
 Central, Hong Kong

## **STATUTORY ADDRESS**

Clarendon House  
 2 Church Street Hamilton HM 11  
 Bermuda

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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 Causeway Bay, Hong Kong  
 Tel: +852 - 2508 0228  
 Fax: +852 - 2508 6075  
 Website: [www.sinopec.com.hk](http://www.sinopec.com.hk)

## **HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Secretaries Limited  
 26th Floor, Tesbury Centre  
 28 Queen's Road East  
 Wanchai, Hong Kong

## **LISTING INFORMATION**

The Stock Exchange of Hong Kong Limited  
 Stock Code: 0934

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS

During the first half of 2013, the European debt crisis continued to persist and the Chinese economy grew at a slower pace. Under the overall poor performance of the global macro economy, the storage business still achieved outstanding results demonstrating its unique advantage in risk aversion. However, the global shipping market further declined, posing challenges for the operation of our vessel charter business. Under the leadership of the Board and with the full support of China Petrochemical Corporation, the Company focused on its strategic development goals which aimed at actively developing the domestic and overseas storage and logistic projects and strengthening the long-term development potential and core competitiveness, and in facing with the short-term difficulties arising in the course of operations, we adopted proactive measures to maintain the stable growth of our operating results. During the first half of 2013, turnover of the Company and its subsidiaries (collectively the “**Group**”) was approximately HK\$13,049,000,000, representing an increase of 11.51% as compared with the same period of last year, with net profit of HK\$231,000,000, representing an increase of 29.99% as compared with the same period of last year.

During the first half of 2013, the Group completed the transfer of equity interest in two overseas storage projects and signed the ship building contract relating to the Australia Pacific LNG project. Following the signing of relevant equity acquisition agreements in relation to the acquisition of 95% equity interest in PT. West Point Terminal (“**PWT**”) in Indonesia (“**Indonesia**”) in October 2012, the transfer of PWT equity interest was completed in the first half of the year. The Group’s investment in the construction project of 2.6 million m<sup>3</sup> storage capacity in Batam, Indonesia through PWT progressed smoothly. During the first half of the year, the initial geological exploration and early stage engineering design of the project were completed which laid a foundation for the full commencement of storage project in Batam. As for our acquisition of 50% equity interest in Vesta Terminals B.V. (“**Vesta**”) in Europe, with substantial preparatory work being done, the European Union finally completed the examination of anti-trust filing in the first half of the year and on 2 April, the transfer of equity interest was completed and Vesta formally became a joint venture of the Group, and our network of storage projects in Europe has rapidly taken shape. Furthermore, in respect to the joint investment between the Group and China Shipping

## MANAGEMENT DISCUSSION AND ANALYSIS

Group LNG Investment Co. Ltd. for the construction of 6 LNG vessels under the Australia Pacific LNG project, we signed the financing agreement with relevant syndicates for such project in the first half of the year and the construction work of LNG vessels commenced as scheduled.

During the first half of 2013, in order to satisfy the capital requirement for our development, the Company carried out a placing of shares pursuant to the general mandate granted at the general meeting. A total of 412,500,000 shares were placed, representing 19.89% of the issued share capital before the placing. Thanks to the full support of investors, who were confident of and recognised our future development strategies and positioning, the share placing was a great success. It was 2.6 times over-subscribed which showed keen interests from investors and approximately HK\$2,681,000,000 were raised. Upon completion of the share placing, the shareholding by Sinopec Kantons International Limited, the direct controlling shareholder of the Company, in issued share capital of the Company decreased from approximately 72.34% to approximately 60.33%.

During the first half of 2013, in addition to the efforts in developing storage and logistics projects, the Group also devoted much attention to its daily operations and adopted effective measures in coping with the short-term difficulties arising in the course of operations. During the first half of the year, the business of Huade Petrochemical Co. Ltd (“**Huade Petrochemical**”), a wholly-owned subsidiary of the Company, was weakened due to the planned maintenance carried out by its downstream client, China Petroleum & Chemical Corporation Guangzhou Branch for its oil refinery facilities with a decline in business volume as compared with the same period of last year. During the first half of the year, Huade Petrochemical unloaded a total of 37 oil tankers and handled 5.39 million tonnes of crude oil, representing a decrease of 15.38% as compared with the same period of last year. It also transported approximately 5.27 million tonnes of crude oil, representing a decrease of 16.61% over the same period of last year, and realized reportable segment profit approximately HK\$99,480,000, a decrease of 35.19% as compared with the same period of last year. During the first half of 2013, turnover of Sinomart KTS Development Limited amounted to HK\$12,782,000,000, of which HK\$12,611,000,000 were derived from trading 2.04 million tonnes of crude oil and approximately HK\$171,000,000 were derived from the vessel charter business. In addition, the joint ventures of the Company

engaging in terminals and storage businesses achieved better investment return which played an important role in consolidating and strengthening the profitability of the Group and enhancing our core competitiveness. During the first half of the year, investment return from the joint ventures and associated companies engaging in terminals business in China and from Vesta overseas were approximately HK\$214,000,000 and approximately HK\$20,160,000, respectively.

In the second half of 2013, the Group will continue to implement effective measures and make strenuous efforts on its daily operation to maintain a steady growth in our operating results, while actively securing support from the parent company in every aspect and seizing favorable opportunities so as to achieve more remarkable performance of the storage and logistics business.

## GEARING RATIO

As at 30 June 2013, the Group's current ratio (current assets to current liabilities) was 5.13 (31 December 2012: 2.28) and gearing ratio (total liabilities to total assets) was 4.81% (31 December 2012: 17.26%). The substantial improvement in current ratio and gearing ratio were due to the amount of approximately HK\$2,681,000,000 raised by the Company's placing of shares in the first half of 2013.

## INTEREST IN JOINT VENTURES

As at 30 June 2013, the Company's interest in joint ventures amounted to HK\$4,960,704,000 (31 December 2012: HK\$2,305,431,000), consisting of 50% equity interest in Vesta, 50% equity interest in Fujairah Oil Terminal FZC ("FOT"), 49% equity interest in China Energy Shipping Investment Co. Ltd. ("**China Energy**"), 50% equity interest in Qingdao Shihua Crude Oil Terminal Co. Ltd. ("**Qingdao Shihua**"), 50% equity interest in Ningbo Shihua Crude Oil Terminal Co. Ltd. ("**Ningbo Shihua**"), 50% equity interest in Tianjin Shihua Crude Oil Terminal Co. Ltd. ("**Tianjin Shihua**"), 50% equity interest in Rizhao Shihua Crude Oil Terminal Co. Ltd. ("**Rizhao Shihua**") and 90% equity interest in Tangshan Caofeidian Shihua Crude Oil Terminal Co. Ltd. ("**Caofeidian Shihua**"), all of which are indirectly held by the Company through its wholly-owned subsidiaries.

# MANAGEMENT DISCUSSION AND ANALYSIS

The significant increase of the interest in joint ventures was mainly due to the increase of investment in Qingdao Shihua and Rizhao Shihua during the second half of 2012 and the completion of the acquisition of the equity interests in FOT and Vesta in the subsequent period.

## TRADE AND OTHER PAYABLES

As at 30 June 2013, the Group's trade and other payables were HK\$464,559,000 (31 December 2012: HK\$1,344,666,000). The substantial decrease in trade and other payables was attributable to the settlement of acquisition payment for the equity interests in some of the joint ventures by the Group during the first half of 2013.

## SHARE CAPITAL AND TOTAL EQUITY

As at 30 June 2013, the Company's share capital amounted to HK\$248,616,000 (31 December 2012: HK\$207,366,000) and the total equity amounted to HK\$9,457,413,000 (31 December 2012: HK\$6,507,944,000). The increases in share capital and total equity were mainly due to the issue of 412,500,000 shares by the Company's placing in May 2013.

## RESERVES

As at 30 June 2013, the Company's reserves amounted to HK\$9,199,210,000 (31 December 2012: HK\$6,300,578,000). The significant increase of reserves was mainly due to the issue of 412,500,000 new shares with nominal value of HK\$0.1 each at an issue price of HK\$6.50 per share by the Company in the first half of 2013, where all premium of the issue price over the nominal value was included in reserves.

## TURNOVER

In the first half of 2013, the Group's turnover was HK\$13,049,149,000 (30 June 2012: HK\$11,702,020,000). The increase in turnover was mainly due to increase in crude oil trading volume in the first half of 2013 as compared with the same period of last year.

## GROSS PROFIT

In the first half of 2013, the Group's gross profit amounted to HK\$71,146,000 (30 June 2012: HK\$178,083,000). The decrease in gross profit was due to the planned maintenance carried out by the downstream clients resulting in the decline in business volume and thus a decrease in profitability of Huade Petrochemical as well as the operating loss recorded for oil tankers charter business during the first half of 2013 due to sluggish market performance, and no operating loss was recorded in the previous period.

## OTHER NET INCOME

In the first half of 2013, the Group's other net income amounted to HK\$24,032,000 (30 June 2012: Net loss HK\$2,573,000), most of which were foreign exchange gains. During the first half of 2013, as the Group held substantial deposits denominated in Renminbi before the full settlement of acquisition payment for the equity interests of five crude oil terminals in China, the foreign exchange gain was derived from the appreciation of Renminbi against Hong Kong dollar during the period.

## ADMINISTRATIVE EXPENSES

In the first half of 2013, the Group's administrative expenses were HK\$65,840,000 (30 June 2012: HK\$14,185,000). The significant increase in administrative expenses as compared to the same period in the previous year was due to the service charge of professional parties arising from the completion of acquisition of Vesta and the increase in employee costs resulting from the increase in the number of employees during the first half of 2013, as well as part of the provisions made for the service charge of professional parties in 2011 was written back by the administrative expenses in the first half of 2012, such that the administrative expenses were lower than the normal level during the first half of 2012.

## INVESTMENT RETURN FROM ASSOCIATED COMPANIES

In the first half of 2013, the Group's investment return from associated companies amounted to HK\$63,586,000 (30 June 2012: HK\$47,113,000), which was derived from the share of profit from Zhan Jiang Port Petrochemical Jetty Co. ("Zhan Jiang Port

# MANAGEMENT DISCUSSION AND ANALYSIS

**Petrochemical Terminal")** after deducting the share of operating loss of East China LNG Shipping Investment Co., Ltd ("**East China**"). The significant increase as compared to the same period in the previous year was attributable to the better operating results achieved by Zhan Jiang Port Petrochemical Terminal during the first half of 2013.

## INVESTMENT RETURN FROM JOINT VENTURES

In the first half of 2013, the Group's investment returns from joint ventures amounted to HK\$165,902,000 (30 June 2012: nil), which was derived from the share of profit from the five crude oil terminal joint ventures in China (including Qingdao Shihua, Ningbo Shihua, Tianjin Shihua, Rizhao Shihua and Caofeidian Shihua) and Vesta overseas after deducting the operating loss of China Energy and FOT.

## PROFIT FOR THE PERIOD

In the first half of 2013, the Group recorded a profit amounting to HK\$230,831,000 (as at 30 June 2012: HK\$177,573,000) for the period, representing an increase of 29.99% as compared to the same period of last year. The substantial increase in profit for the period was mainly generated from the investment return from the equity interest in five crude oil terminals in China and the equity interest in Vesta held by the Group. During the same period in the previous year, the Company did not own any equity interest in the above joint ventures.

## EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2013, the Group had a total of 237 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.

# REVIEW REPORT



## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SINOPEC KANTONS HOLDINGS LIMITED (incorporated in Bermuda with limited liability)**

### **INTRODUCTION**

We have reviewed the interim financial information set out on pages 11 to 43, which comprises the interim condensed consolidated statement of financial position of Sinopec Kantons Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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# REVIEW REPORT

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## SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 30 August 2013

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

|  | Note | Six months ended 30 June<br>2013<br>HK\$'000<br>(Unaudited) | 2012<br>HK\$'000<br>(Unaudited) |
|--|------|---|---------------------------------|
| <b>Revenue</b>   | 4    | <b>13,049,149</b>   | 11,702,020                      |
| Cost of sales  |      | <b>(12,978,003)</b>   | (11,523,937)                    |
| <b>Gross profit</b>  |      | <b>71,146</b>   | 178,083                         |
| Other net income/(loss)  |      | <b>24,032</b>   | (2,573)                         |
| Distribution costs   |      | <b>(9,313)</b>  | (5,001)                         |
| Administrative expenses  |      | <b>(65,840)</b>   | (14,185)                        |
| <b>Operating profit</b>  | 5    | <b>20,025</b>   | 156,324                         |
| Finance income   |      | <b>35,297</b>   | 16,283                          |
| Finance costs  |      | <b>(3,807)</b>  | (1,221)                         |
| Finance income-net   |      | <b>31,490</b>   | 15,062                          |
| Share of profits less losses of:   |      |   |                                 |
| – associated companies   |      | <b>63,586</b>   | 47,113                          |
| – joint ventures   |      | <b>165,902</b>  | –                               |
| <b>Profit before taxation</b>  |      | <b>281,003</b>  | 218,499                         |
| Income tax expense   | 6    | <b>(50,172)</b>   | (40,926)                        |
| <b>Profit for the period</b>   |      | <b>230,831</b>  | 177,573                         |
| <b>Attributable to:</b>  |      |   |                                 |
| Equity holders of the Company  |      | <b>230,864</b>  | 177,573                         |
| Non-controlling interests  |      | <b>(33)</b>   | –                               |
|  |      | <b>230,831</b>  | 177,573                         |
| <b>Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)</b> | 8    | <b>10.52</b>  | 10.50                           |
| <b>Interim dividend</b>  | 7    | <b>37,292</b>   | 31,105                          |

The notes on pages 18 to 43 form an integral part of this interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

|  | Six months ended 30 June<br>2013 | 2012        |
|--|----------------------------------|-------------|
|  | HK\$'000                         | HK\$'000    |
|  | (Unaudited)                      | (Unaudited) |
| <b>Profit for the period</b>                                   | <b>230,831</b>                   | 177,573     |
| <b>Other comprehensive income for the period:</b>              |                                  |             |
| Items that may be reclassified subsequently to profit or loss: |                                  |             |
| Exchange differences on translation:                           |                                  |             |
| – Subsidiaries   | 47,148                           | (10,119)    |
| – Associated companies   | 9,286                            | (257)       |
| – Joint ventures   | 53,490                           | –           |
| <b>Total comprehensive income for the period</b>               | <b>340,755</b>                   | 167,197     |
| <b>Total comprehensive income attributable to:</b>             |                                  |             |
| Equity holders of the Company                                  | 340,788                          | 167,197     |
| Non-controlling interests                                      | (33)                             | –           |
|  | <b>340,755</b>                   | 167,197     |

The notes on pages 18 to 43 form an integral part of this interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

|   | Note | 30 June<br>2013<br>HK\$'000<br>(Unaudited) | 31 December<br>2012<br>HK\$'000<br>(Audited) |
|---|------|--|--|
| <b>ASSETS</b>   |      |  |  |
| <b>Non-current assets</b>   |      |  |  |
| Property, plant and equipment   | 9    | <b>1,847,562</b>                           | 1,855,242                                    |
| Investment properties   |      | <b>15,239</b>                              | 15,568                                       |
| Prepaid land lease payment  |      | <b>74,069</b>                              | 74,906                                       |
| Interest in associated companies  | 10   | <b>607,738</b>                             | 526,765                                      |
| Interest in joint ventures  | 11   | <b>4,960,704</b>                           | 2,305,431                                    |
| <b>Total non-current assets</b>   |      | <b>7,505,312</b>                           | 4,777,912                                    |
| <b>Current assets</b>   |      |  |  |
| Inventories   | 12   | <b>39,867</b>                              | 48,355                                       |
| Trade and other receivables   | 13   | <b>518,598</b>                             | 628,929                                      |
| Tax recoverable   |      | <b>4,955</b>                               | 4,955  |
| Cash and cash equivalents   | 14   | <b>1,866,285</b>                           | 2,404,982                                    |
| <b>Total current assets</b>   |      | <b>2,429,705</b>                           | 3,087,221                                    |
| <b>Total assets</b>   |      | <b>9,935,017</b>                           | 7,865,133                                    |
| <b>EQUITY</b>   |      |  |  |
| <b>Capital and reserves attributable to equity holders of the Company</b> |      |  |  |
| Share capital   |      | <b>248,616</b>                             | 207,366                                      |
| Reserves  |      | <b>9,199,210</b>                           | 6,300,578                                    |
| Equity attributable to equity holders of the Company                      |      | <b>9,447,826</b>                           | 6,507,944                                    |
| Non-controlling interests   |      | <b>9,587</b>                               | –  |
| <b>Total equity</b>   |      | <b>9,457,413</b>                           | 6,507,944                                    |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2013

|  | Note | 30 June<br>2013<br>HK\$'000<br>(Unaudited) | 31 December<br>2012<br>HK\$'000<br>(Audited) |
|--|------|--|--|
| <b>LIABILITIES</b>                           |      |  |  |
| <b>Non-current liabilities</b>               |      |  |  |
| Deferred tax liabilities                     |      | <b>3,909</b>                               | 2,300  |
| <b>Current liabilities</b>                   |      |  |  |
| Trade and other payables                     | 15   | <b>464,559</b>                             | 1,344,666                                    |
| Income tax payable                           |      | <b>9,136</b>                               | 10,223                                       |
| <b>Total current liabilities</b>             |      | <b>473,695</b>                             | 1,354,889                                    |
| <b>Total liabilities</b>                     |      | <b>477,604</b>                             | 1,357,189                                    |
| <b>Total equity and liabilities</b>          |      | <b>9,935,017</b>                           | 7,865,133                                    |
| <b>Net current assets</b>                    |      | <b>1,956,010</b>                           | 1,732,332                                    |
| <b>Total assets less current liabilities</b> |      | <b>9,461,322</b>                           | 6,510,224                                    |

Approved and authorised for issue by the board of directors on 30 August 2013

**Dai Zhao Ming**

*Chairman*

**Ye Zhi Jun**

*Director*

The notes on pages 18 to 43 form an integral part of this interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

| Note   | Attributable to equity holders of the Company |  |   |   |   |  |                                     |           | Non-controlling interests<br>HK\$'000<br>(Unaudited) | Total<br>HK\$'000<br>(Unaudited) |
|--|---|--|---|---|---|--|-------------------------------------|-----------|--|----------------------------------|
|  | Share capital<br>HK\$'000<br>(Unaudited)      | Share premium<br>HK\$'000<br>(Unaudited) | Merger reserve<br>HK\$'000<br>(Unaudited) | General reserves<br>HK\$'000<br>(Unaudited) | Exchange reserve<br>HK\$'000<br>(Unaudited) | Retained earnings<br>HK\$'000<br>(Unaudited) | Subtotal<br>HK\$'000<br>(Unaudited) |           |  |                                  |
|  |   |  |   |   |   |  |                                     |           |  |                                  |
| <b>Balance at 1 January 2012</b>             | 103,683                                       | 333,857                                  | 23,444                                    | 189,908                                     | 525,307                                     | 1,649,383                                    | 2,825,582                           | -         | 2,825,582  |                                  |
| <b>Comprehensive income:</b>                 |   |  |   |   |   |  |                                     |           |  |                                  |
| Profit for the period                        | -   | -  | -   | -   | -   | 177,573                                      | 177,573                             | -         | 177,573  |                                  |
| <b>Other comprehensive income</b>            |   |  |   |   |   |  |                                     |           |  |                                  |
| Exchange differences<br>on translation:      |   |  |   |   |   |  |                                     |           |  |                                  |
| - Subsidiary                                 | -   | -  | -   | -   | (10,119)                                    | -  | (10,119)                            | -         | (10,119)   |                                  |
| - Associated companies                       | -   | -  | -   | -   | (257)                                       | -  | (257)                               | -         | (257)  |                                  |
| Total comprehensive income<br>for the period | -   | -  | -   | -   | (10,376)                                    | 177,573                                      | 167,197                             | -         | 167,197  |                                  |
| <b>Transaction with owners</b>               |   |  |   |   |   |  |                                     |           |  |                                  |
| Issue of rights shares                       | 7(c)  | 103,683                                  | 3,359,260                                 | -   | -   | -  | -                                   | 3,462,943 | -  | 3,462,943                        |
| Appropriation of reserves                    |   | -  | -   | -   | 61,478                                      | -  | (61,478)                            | -         | -  | -                                |
| Dividends                                    | 7(b)  | -  | -   | -   | -   | (41,473)                                     | (41,473)                            | -         | (41,473)   |                                  |
| <b>Total transaction with owners</b>         |   | 103,683                                  | 3,359,260                                 | -   | 61,478                                      | -  | (102,951)                           | 3,421,470 | -  | 3,421,470                        |
| <b>Balance at 30 June 2012</b>               | 207,366                                       | 3,693,117                                | 23,444                                    | 251,386                                     | 514,931                                     | 1,724,005                                    | 6,414,249                           | -         | 6,414,249  |                                  |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2013

| Note  | Attributable to equity holders of the Company |   |  |  |  |   |                                     |   |           | Total<br>HK\$'000<br>(Unaudited) |
|---|---|---|--|--|--|---|-------------------------------------|---|-----------|----------------------------------|
|   | Share<br>capital<br>HK\$'000<br>(Unaudited)   | Share<br>premium<br>HK\$'000<br>(Unaudited) | Merger<br>reserve<br>HK\$'000<br>(Unaudited) | General<br>reserves<br>HK\$'000<br>(Unaudited) | Exchange<br>reserve<br>HK\$'000<br>(Unaudited) | Retained<br>earnings<br>HK\$'000<br>(Unaudited) | Subtotal<br>HK\$'000<br>(Unaudited) | Non-<br>controlling<br>interests<br>HK\$'000<br>(Unaudited) |           |                                  |
|   |   |   |  |  |  |   |                                     |   |           |                                  |
| Balance at 1 January 2013                               | 207,366                                       | 3,693,117                                   | 23,444                                       | 212,921  | 525,566  | 1,845,530                                       | 6,507,944                           | -   | 6,507,944 |                                  |
| Comprehensive income:                                   |   |   |  |  |  |   |                                     |   |           |                                  |
| Profit for the period                                   | -   | -   | -  | -  | -  | 230,864   | 230,864                             | (33)  | 230,831   |                                  |
| Other comprehensive income                              |   |   |  |  |  |   |                                     |   |           |                                  |
| Exchange differences                                    |   |   |  |  |  |   |                                     |   |           |                                  |
| on translation:   |   |   |  |  |  |   |                                     |   |           |                                  |
| - Subsidiaries  | -   | -   | -  | -  | 47,148   | -   | 47,148                              | -   | 47,148    |                                  |
| - Associated companies                                  | -   | -   | -  | -  | 9,286  | -   | 9,286                               | -   | 9,286     |                                  |
| - Joint ventures  | -   | -   | -  | -  | 53,490   | -   | 53,490                              | -   | 53,490    |                                  |
| Total comprehensive income<br>for the period            | -   | -   | -  | -  | 109,924  | 230,864   | 340,788                             | (33)  | 340,755   |                                  |
| Transaction with owners                                 |   |   |  |  |  |   |                                     |   |           |                                  |
| Issue of shares   | 7(c)  | 41,250                                      | 2,607,567                                    | -  | -  | -   | 2,648,817                           | -   | 2,648,817 |                                  |
| Appropriation of reserves                               |   | -   | -  | -  | 8,165  | -   | (8,165)                             | -   | -         |                                  |
| Acquisition of a subsidiary                             |   | -   | -  | -  | -  | -   | -                                   | 200   | 200       |                                  |
| Capital contributions from<br>non-controlling interests |   | -   | -  | -  | -  | -   | -                                   | 9,420   | 9,420     |                                  |
| Dividends   | 7(b)  | -   | -  | -  | -  | (49,723)  | (49,723)                            | -   | (49,723)  |                                  |
| Total transaction with owners                           |   | 41,250                                      | 2,607,567                                    | -  | 8,165  | -   | (57,888)                            | 2,599,094   | 9,620     | 2,608,714                        |
| Balance at 30 June 2013                                 | 248,616                                       | 6,300,684                                   | 23,444                                       | 221,086  | 635,490  | 2,018,506                                       | 9,447,826                           | 9,587   | 9,457,413 |                                  |

The notes on pages 18 to 43 form an integral part of this interim financial information.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

|   | <b>Six months ended 30 June</b> |             |
|---|---------------------------------|-------------|
|   | 2013                            | 2012        |
|   | HK\$'000                        | HK\$'000    |
|   | (Unaudited)                     | (Unaudited) |
| <b>Cash generated from operations</b>                                       | <b>110,507</b>                  | 224,444     |
| Tax paid  | (49,650)                        | (28,892)    |
| <b>Net cash generated from operating activities</b>                         | <b>60,857</b>                   | 195,552     |
| Net cash used in investing activities                                       | (3,274,926)                     | (506,449)   |
| <b>Net cash generated from financing activities</b>                         | <b>2,654,313</b>                | 3,194,295   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                 | <b>(559,756)</b>                | 2,883,398   |
| <b>Cash and cash equivalents at 1 January</b>                               | <b>2,404,982</b>                | 771,753     |
| <b>Effect of foreign exchange rate changes on cash and cash equivalents</b> | <b>21,059</b>                   | (3,309)     |
| <b>Cash and cash equivalents at 30 June</b>                                 | <b>1,866,285</b>                | 3,651,842   |

The notes on pages 18 to 43 form an integral part of this interim financial information.



# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

Sinopec Kantons Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of principal place of business is 34/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

The Company and its subsidiaries (collectively the "Group") are principally engaged in the businesses of trading of crude oil, operating of crude oil jetty and its ancillary facilities, provision of vessel chartering for crude oil transportation and floating oil storage facilities for oil tankers.

The Company is listed on The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This unaudited condensed consolidated interim financial information was approved by the Board of Directors for issue on 30 August 2013.

## 2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2013 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 unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

### 3 CHANGES IN ACCOUNTING POLICIES

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

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

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

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments or interpretation ("new or revised HKFRSs") issued by the HKICPA.

|   |   |
|---|---|
| HKFRS 10                                      | Consolidated financial statements   |
| HKFRS 11                                      | Joint arrangements  |
| HKFRS 12                                      | Disclosure of interests in other entities   |
| HKFRS 13                                      | Fair value measurement  |
| HKFRS 1 (Amendment)                           | Government loans  |
| HKFRS 7 (Amendment)                           | Financial instruments: disclosures – offsetting financial assets and financial liabilities                                |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated financial statements, joint arrangements and disclosures of interests in other entities: transition guidance |
| HKAS 1 (Amendment)                            | Presentation of items of other comprehensive income   |
| HKAS 27 (Revised 2011)                        | Separate financial statements   |
| HKAS 28 (Revised 2011)                        | Investments in associates and joint ventures  |

The application of the above new or revised HKFRSs has had no material effect on the Group's results and financial position, except for certain disclosures in respect of amendments to HKAS 1 (Amendment) and HKFRS 11.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 4 REVENUE AND SEGMENT REPORTING

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

- Trading of crude oil: this segment trades crude oil. Currently, the majority of the trading activities are carried out in Hong Kong and the People's Republic of China (the "PRC").
- Crude oil jetty services: this segment provides crude oil transportation, unloading, storage and other jetty services for oil tankers. Currently, the Group's activities 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 in this regard 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 include all tangible assets and current assets with the exception of investment properties, deferred tax assets, tax recoverable, interest in associated companies, interest in joint ventures and other corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments managed directly by the segments.

## 4 REVENUE AND SEGMENT REPORTING (*continued*)

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

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

The measure used for reporting segment profit is “segment operating profit”. Segment operating profit includes the operating profit generated by the segment and finance costs directly attributable to the segment. Items that are not specifically attributed to individual segments, such as unallocated other income, unallocated other finance income, unallocated depreciation and amortisation, unallocated finance costs, share of profits less losses of associated companies and joint ventures, and other corporate costs or income are excluded from segment operating profit.

The unallocated income, expenses, assets and liabilities are disclosed in the reconciliation of reportable segment revenues, profit or loss, assets and liabilities in Note 4(b) to this interim financial information.

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 4 REVENUE AND SEGMENT REPORTING (*continued*)

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

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

| For the six months ended<br>30 June             | Trading of crude oil |                   | Crude oil jetty services |                | Vessel charter services |                | Total             |                   |
|---|----------------------|-------------------|--------------------------|----------------|-------------------------|----------------|-------------------|-------------------|
|   | 2013                 | 2012              | 2013                     | 2012           | 2013                    | 2012           | 2013              | 2012              |
|   | HK\$'000             | HK\$'000          | HK\$'000                 | HK\$'000       | HK\$'000                | HK\$'000       | HK\$'000          | HK\$'000          |
|   | (Unaudited)          | (Unaudited)       | (Unaudited)              | (Unaudited)    | (Unaudited)             | (Unaudited)    | (Unaudited)       | (Unaudited)       |
| <b>Revenue</b>                                  |                      |                   |                          |                |                         |                |                   |                   |
| Segment revenue                                 | 12,610,643           | 11,111,536        | 268,993                  | 320,093        | 170,968                 | 272,581        | 13,050,604        | 11,704,210        |
| Inter-segment revenue                           | -                    | -                 | (1,455)                  | (2,190)        | -                       | -              | (1,455)           | (2,190)           |
| <b>Revenue from external customers</b>          | <b>12,610,643</b>    | <b>11,111,536</b> | <b>267,538</b>           | <b>317,903</b> | <b>170,968</b>          | <b>272,581</b> | <b>13,049,149</b> | <b>11,702,020</b> |
| <b>Reportable segment profit/(loss)</b>         | <b>(17,795)</b>      | <b>(3,559)</b>    | <b>99,477</b>            | <b>153,481</b> | <b>(80,183)</b>         | <b>3,726</b>   | <b>1,499</b>      | <b>153,648</b>    |
| Finance income                                  | -                    | -                 | 126                      | 457            | -                       | -              | 126               | 457               |
| Finance costs                                   | (1,904)              | (265)             | -                        | -              | (1,903)                 | (265)          | (3,807)           | (530)             |
| Depreciation and amortisation<br>for the period | (351)                | (346)             | (86,561)                 | (90,406)       | (351)                   | (345)          | (87,263)          | (91,097)          |
| Capital expenditures for the period             | 66                   | 47                | 85,632                   | 67,994         | 67                      | 47             | 85,765            | 68,088            |

|                                       | As at<br>30 June<br>2013 | As at<br>31 December<br>2012 |
|---------------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|--------------------------|------------------------------|
|                                       | HK\$'000                 | HK\$'000                     | HK\$'000                 | HK\$'000                     | HK\$'000                 | HK\$'000                     | HK\$'000                 | HK\$'000                     |
|                                       | (Unaudited)              | (Audited)                    | (Unaudited)              | (Audited)                    | (Unaudited)              | (Audited)                    | (Unaudited)              | (Audited)                    |
| <b>Reportable segment assets</b>      | <b>16,817</b>            | <b>20,368</b>                | <b>2,376,949</b>         | <b>2,492,837</b>             | <b>87,934</b>            | <b>94,228</b>                | <b>2,481,700</b>         | <b>2,607,433</b>             |
| <b>Reportable segment liabilities</b> | <b>203,721</b>           | <b>110,703</b>               | <b>57,898</b>            | <b>109,181</b>               | <b>203,912</b>           | <b>145,402</b>               | <b>465,531</b>           | <b>365,286</b>               |

## 4 REVENUE AND SEGMENT REPORTING (*continued*)

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

|  | <b>Six months ended 30 June</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>2013</b>                     | <b>2012</b>        |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|  | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| <b>Revenue</b>   | <b>13,049,149</b>               | 11,702,020         |
| <b>Profit</b>  |                                 |                    |
| Reportable segment profit  | <b>1,499</b>                    | 153,648            |
| Elimination of inter-segment profit                                      | <b>(709)</b>                    | (1,113)            |
| Reportable segment profit derived from<br>the Group's external customers | <b>790</b>                      | 152,535            |
| Unallocated other income and<br>finance income                           | <b>51,638</b>                   | 11,388             |
| Unallocated depreciation and<br>amortisation                             | <b>(128)</b>                    | (57)               |
| Unallocated finance costs  | <b>–</b>                        | (691)              |
| Share of profits less losses of:   |                                 |                    |
| – associated companies   | <b>63,586</b>                   | 47,113             |
| – joint ventures   | <b>165,902</b>                  | –                  |
| Unallocated other corporate<br>(costs)/income                            | <b>(785)</b>                    | 8,211              |
| Profit before taxation   | <b>281,003</b>                  | 218,499            |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 4 REVENUE AND SEGMENT REPORTING (*continued*)

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

|                                   | As at<br>30 June<br>2013<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2012<br>HK\$'000<br>(Audited) |
|-----------------------------------|---|---|
| <b>Assets</b>                     |   |   |
| Reportable segment assets         | <b>2,481,700</b>                                    | 2,607,433   |
| Interest in associated companies  | <b>607,738</b>                                      | 526,765   |
| Interest in joint ventures        | <b>4,960,704</b>                                    | 2,305,431   |
| Unallocated corporate assets      | <b>1,884,875</b>                                    | 2,425,504   |
| Total assets                      | <b>9,935,017</b>                                    | 7,865,133   |
| <b>Liabilities</b>                |   |   |
| Reportable segment liabilities    | <b>465,531</b>                                      | 365,286   |
| Unallocated corporate liabilities | <b>12,073</b>                                       | 991,903   |
| Total liabilities                 | <b>477,604</b>                                      | 1,357,189   |

## 4 REVENUE AND SEGMENT REPORTING (*continued*)

### (c) Geographic information

The total non-current assets by geographical location are detailed below:

|                          | As at<br>30 June<br>2013 | As at<br>31 December<br>2012 |
|--------------------------|--------------------------|------------------------------|
|                          | HK\$'000<br>(Unaudited)  | HK\$'000<br>(Audited)        |
| Hong Kong                | <b>189,159</b>           | 32,239                       |
| PRC                      | <b>5,638,116</b>         | 4,745,673                    |
| Overseas                 | <b>1,678,037</b>         | –                            |
| Total non-current assets | <b>7,505,312</b>         | 4,777,912                    |

### (d) Major customer

For the six months ended 30 June 2013, one (six months ended 30 June 2012: one) customer from trading of crude oil, crude oil jetty services and vessel charter services has transactions that exceeded 10% of the Group's revenue, amounting to HK\$13,035,818,000 (six months ended 30 June 2012: HK\$11,639,145,000). This customer which is a related party of the Group (Note 17) operates in the PRC.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 5 OPERATING PROFIT

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

|                                  | <b>Six months ended 30 June</b> |                    |
|----------------------------------|---------------------------------|--------------------|
|                                  | <b>2013</b>                     | <b>2012</b>        |
|                                  | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|                                  | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| Net foreign exchange gain/(loss) | <b>19,460</b>                   | (3,004)            |
| Depreciation and amortisation    | <b>(87,391)</b>                 | (91,154)           |
| Operating lease charges          |                                 |                    |
| – property rentals               | <b>(4,096)</b>                  | (1,686)            |
| – hire of vessels                | <b>(125,738)</b>                | (114,917)          |

## 6 INCOME TAX EXPENSE

|                            | <b>Six months ended 30 June</b> |                    |
|----------------------------|---------------------------------|--------------------|
|                            | <b>2013</b>                     | <b>2012</b>        |
|                            | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|                            | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| <b>Current tax</b>         |                                 |                    |
| PRC enterprise income tax  | <b>29,160</b>                   | 38,570             |
| PRC withholding tax        | <b>19,403</b>                   | –                  |
|                            | <b>48,563</b>                   | 38,570             |
| <b>Deferred income tax</b> |                                 |                    |
|                            | <b>1,609</b>                    | 2,356              |
|                            | <b>50,172</b>                   | 40,926             |

## 6 INCOME TAX EXPENSE (*continued*)

No Hong Kong profits tax provision has been provided as the Group's subsidiaries in Hong Kong incurred taxable losses during the six months ended 30 June 2012 and 2013. Taxation for the PRC and overseas subsidiaries are charged at the appropriate current rates of taxation prevailing in the relevant countries. Applicable tax rate for enterprise income tax of the PRC subsidiary is 25%.

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

During the six months ended 30 June 2013, the PRC subsidiary declared and paid dividend of HK\$194,027,000 to the Group, representing the profit of the PRC subsidiary for the year ended 31 December 2008. Withholding tax on the dividend of HK\$19,403,000 was levied.

As at 30 June 2013, temporary differences relating to the undistributed profits earned by the PRC subsidiary subsequent to 1 January 2008 amounted to HK\$826,157,000 (31 December 2012: HK\$890,423,000). Deferred tax liabilities of HK\$82,616,000 have not been recognised in respect of the PRC dividend withholding tax at 10% (or 5% should treaty benefit be applicable) that would be payable on the distribution of the profits earned subsequent to 1 January 2008 as the Company controls the dividend policy of the PRC subsidiary and the Directors have determined that its profits earned subsequent to 1 January 2008 are not likely to be further distributed in the foreseeable future.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 7 DIVIDENDS AND RESERVES

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

|                            | <b>Six months ended 30 June</b> |                    |
|----------------------------|---------------------------------|--------------------|
|                            | <b>2013</b>                     | <b>2012</b>        |
|                            | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|                            | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| Interim dividend, declared | <b>37,292</b>                   | 31,105             |

On 30 August 2013, the board of directors of the Company has declared an interim dividend of HK1.5 cents (2012: HK1.5 cents) per ordinary share. The interim dividend declared after the period end has not been recognised as a liability at the end of the reporting period.

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

|   | <b>Six months ended 30 June</b> |                    |
|---|---------------------------------|--------------------|
|   | <b>2013</b>                     | <b>2012</b>        |
|   | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|   | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| Final dividend approved in the interim period, of HK2.0 cents (six months ended 30 June 2012: HK2.0 cents) per ordinary share | <b>49,723</b>                   | 41,473             |

## 7 DIVIDENDS AND RESERVES (*continued*)

- (c) On 22 March 2012, 1,036,830,000 ordinary shares were issued upon the rights issue on the basis of one rights share for every one existing share at HK\$3.37 each. Total consideration amounted to HK\$3,494,117,000 of which HK\$103,683,000 was credited to share capital and the remaining proceeds of HK\$3,390,434,000, less the share issuance costs of HK\$31,174,000, were credited to the share premium account.

On 9 May 2013, 412,500,000 ordinary shares were issued at HK\$6.50 each. Total consideration amounted to HK\$2,681,250,000 of which HK\$41,250,000 was credited to share capital and the remaining proceeds, net of share issuance costs, amounted to HK\$2,607,567,000, were credited to the share premium account.

## 8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$230,864,000 (six months ended 30 June 2012: HK\$177,573,000) and the weighted average of 2,194,447,000 ordinary shares (six months ended 30 June 2012: 1,691,091,000 shares after adjusting for rights issue on 22 March 2012) in issue throughout the period.

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 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment, including construction in progress, with a cost HK\$41,515,000 (six months ended 30 June 2012: HK\$69,608,000). There were no disposals of fixed assets during the six months ended 30 June 2013 and 2012.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 10 INTEREST IN ASSOCIATED COMPANIES

|                                       | As at<br>30 June<br>2013 | As at<br>31 December<br>2012 |
|---------------------------------------|--------------------------|------------------------------|
|                                       | HK\$'000<br>(Unaudited)  | HK\$'000<br>(Audited)        |
| Share of net assets                   | <b>584,232</b>           | 511,360                      |
| Amount due from an associated company | <b>23,506</b>            | 15,405                       |
|                                       | <b>607,738</b>           | 526,765                      |

## 11 INTEREST IN JOINT VENTURES

|                                 | As at<br>30 June<br>2013 | As at<br>31 December<br>2012 |
|---------------------------------|--------------------------|------------------------------|
|                                 | HK\$'000<br>(Unaudited)  | HK\$'000<br>(Audited)        |
| Share of net assets             | <b>4,766,347</b>         | 2,305,431                    |
| Amounts due from joint ventures | <b>194,357</b>           | –                            |
|                                 | <b>4,960,704</b>         | 2,305,431                    |

## 11 INTEREST IN JOINT VENTURES (*continued*)

- a) In December 2011, the Group entered into acquisition agreements to acquire 50% each of the equity interest of Ningbo Shihua Crude Oil Terminal Co. Ltd., Qingdao Shihua Crude Oil Terminal Co. Ltd., Tianjin Port Shihua Crude Oil Terminal Co. Ltd., Rizhao Shihua Crude Oil Terminal Co. Ltd., and 90% of the equity interest of Tangshan Caofeidian Shihua Crude Oil Terminal Co. Ltd. from an intermediate holding company at an aggregate consideration of approximately RMB1,809,807,000 (equivalent to approximately HK\$2,226,352,000). The acquisition was completed in October 2012. The directors of the Company has completed fair value assessments of identifiable assets of the five investments and goodwill totalling HK\$23,649,000 was recognised in the interest in joint ventures.
- b) In January 2012, the Group entered into an acquisition agreement to acquire 50% of the equity interest of Fujairah Oil Terminal FZC ("Fujairah") from Concord Energy Oil Terminal (Hong Kong) Limited at a consideration of US\$25,050,000 (equivalent to approximately HK\$195,390,000). The acquisition was completed in January 2013.

In October 2012, the Group entered into an acquisition agreement to acquire 50% of the equity interest of Vesta Terminals B.V. ("Vesta") under Mercuria Energy Group at consideration of Euro 128,600,000 (equivalent to approximately \$1,377,682,000). The acquisition was completed in April 2013.

Currently, the Group is in the process of performing fair value assessments on the net identifiable assets of Fujairah and Vesta as at the acquisition date in accordance with HKFRS 3, Business Combination. At 30 June 2013, the Group has not finalised the fair value assessments for these net identifiable assets.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 12 INVENTORIES

|                      | As at<br>30 June<br>2013<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2012<br>HK\$'000<br>(Audited) |
|----------------------|---|---|
| Fuel oil for vessels | <b>35,557</b>                                       | 44,538  |
| Spare parts          | <b>4,310</b>  | 3,817   |
|                      | <b>39,867</b>                                       | 48,355  |

## 13 TRADE AND OTHER RECEIVABLES

|   | As at<br>30 June<br>2013<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2012<br>HK\$'000<br>(Audited) |
|---|---|---|
| Trade receivables   |   |   |
| – Amounts due from intermediate holding company and fellow subsidiaries | <b>498,229</b>                                      | 597,368   |
| – Third parties   | <b>3,718</b>  | 6,005   |
|   | <b>501,947</b>                                      | 603,373   |
| Other receivables and prepayments                                       |   |   |
| – Amounts due from intermediate holding company and fellow subsidiaries | <b>7,239</b>  | 298   |
| – Third parties   | <b>9,412</b>  | 25,258  |
|   | <b>16,651</b>                                       | 25,556  |
|   | <b>518,598</b>                                      | 628,929   |

### 13 TRADE AND OTHER RECEIVABLES (*continued*)

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

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

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

Ageing analysis of trade receivables are set out below:

|   | As at<br><b>30 June</b><br><b>2013</b><br><b>HK\$'000</b><br><b>(Unaudited)</b> | As at<br>31 December<br>2012<br>HK\$'000<br>(Audited) |
|---|---|---|
| Current   | <b>77,086</b>   | 88,433  |
| Less than 1 month past due                                      | <b>25,600</b>   | 53,303  |
| 1 to 3 months past due  | <b>71,331</b>   | 96,244  |
| More than 3 months past due but less<br>than 12 months past due | <b>327,930</b>  | 365,393   |
| Amounts past due  | <b>424,861</b>  | 514,940   |
|   | <b>501,947</b>  | 603,373   |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 14 CASH AND CASH EQUIVALENTS

|  | As at<br>30 June<br>2013<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2012<br>HK\$'000<br>(Audited) |
|--|---|---|
| Time deposits with banks with original maturity less than 3 months | <b>1,581,722</b>                                    | 2,238,166   |
| Cash at bank and in hand   | <b>284,563</b>                                      | 166,816   |
|  | <b>1,866,285</b>                                    | 2,404,982   |

## 15 TRADE AND OTHER PAYABLES

|   | As at<br>30 June<br>2013<br>HK\$'000<br>(Unaudited) | As at<br>31 December<br>2012<br>HK\$'000<br>(Audited) |
|---|---|---|
| Trade payables  |   |   |
| – Amount due to a fellow subsidiary   | 70  | 66  |
| – Third parties   | <b>261</b>  | 34,765  |
|   | <b>331</b>  | 34,831  |
| Amounts due to immediate and intermediate holding companies and fellow subsidiaries | <b>183,057</b>                                      | 182,806   |
| Creditors and accrued charges   | <b>70,270</b>                                       | 147,649   |
| Consideration payable to acquire equity interest in joint ventures                  | <b>161,178</b>                                      | 979,380   |
| Dividend payable  | <b>49,723</b>                                       | –   |
|   | <b>464,559</b>                                      | 1,344,666   |

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

## 15 TRADE AND OTHER PAYABLES (*continued*)

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

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

|                                       | As at<br><b>30 June</b><br><b>2013</b><br><b>HK\$'000</b><br><b>(Unaudited)</b> | As at<br>31 December<br>2012<br>HK\$'000<br>(Audited) |
|---------------------------------------|---|---|
| Due within 1 month or on demand       | <b>261</b>  | 34,765  |
| Due after 1 month but within 3 months | <b>70</b>   | 66  |
|                                       | <b>331</b>  | 34,831  |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 16 COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2013 not provided for in the interim financial information were as follows:

|                                   | As at<br>30 June<br>2013 | As at<br>31 December<br>2012 |
|-----------------------------------|--------------------------|------------------------------|
|                                   | HK\$'000<br>(Unaudited)  | HK\$'000<br>(Audited)        |
| Contracted but not provided for   | <b>1,852,751</b>         | 1,913,270                    |
| Authorised but not contracted for | <b>721,271</b>           | 696,422                      |
|                                   | <b>2,574,022</b>         | 2,609,692                    |

At 30 June 2013, the Group has committed to provide HK\$1,148,894,000 (31 December 2012: HK\$396,704,000) in connection with loans to certain joint ventures.

## 16 COMMITMENTS (*continued*)

- (b) At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

|                                 | As at<br><b>30 June<br/>2013</b><br><b>HK\$'000</b><br><b>(Unaudited)</b> | As at<br>31 December<br>2012<br>HK\$'000<br>(Audited) |
|---------------------------------|---|---|
| Within 1 year                   | <b>236,877</b>  | 197,933   |
| After 1 year but within 5 years | <b>201,450</b>  | 263,130   |
| After 5 years                   | <b>7,603</b>  | 7,792   |
|                                 | <b>445,930</b>  | 468,855   |

## 17 MATERIAL RELATED PARTY TRANSACTIONS

- (a) **Transactions with intermediate holding company and fellow subsidiaries**

The Group is part of a larger group of companies under China Petrochemical Corporation (“Sinopec Group Company”), which is owned by the PRC government, and has significant transactions and relationship with Sinopec Group Company and fellow subsidiaries.

During the period, the Group had the following significant transactions with its intermediate holding company and fellow subsidiaries:

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 17 MATERIAL RELATED PARTY TRANSACTIONS (*continued*)

(a) Transactions with intermediate holding company and fellow subsidiaries (*continued*)

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2013                     | 2012        |
|  | HK\$'000                 | HK\$'000    |
|  | (Unaudited)              | (Unaudited) |
| Crude oil sold to an intermediate holding company and a fellow subsidiary (note (i))               | <b>12,610,643</b>        | 11,111,536  |
| Crude oil purchased from a fellow subsidiary and related charges (note (i))                        | <b>194,203</b>           | 761,262     |
| Jetty service fees charged to an intermediate holding company and a fellow subsidiary (note (iii)) | <b>256,204</b>           | 306,185     |
| Vessel charter service fee charged to a fellow subsidiary (note (iv))                              | <b>168,971</b>           | 221,424     |
| Fuel oil purchased from a fellow subsidiary (note (i))   | -                        | 441         |
| Insurance premium charged by a fellow subsidiary (note (ii))                                       | <b>2,520</b>             | 2,450       |
| Interest expense charged by a fellow subsidiary  | <b>3,807</b>             | 1,221       |
| Rental expense charged by a fellow subsidiary (note (v))   | <b>659</b>               | 1,687       |
| Cash and cash equivalents placed in fellow subsidiaries (note (vi))                                | <b>95,292</b>            | 3,551       |
| Construction costs charged by fellow subsidiaries (note (vii))                                     | <b>14,803</b>            | 3,214       |

## 17 MATERIAL RELATED PARTY TRANSACTIONS (*continued*)

### (a) Transactions with intermediate holding company and fellow subsidiaries (*continued*)

The balances with related companies are disclosed in Notes 13 and 15 to this interim financial information.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions.

Notes:

The above transactions were conducted in accordance with the following terms:

- (i) The crude oil and fuel oil trading transactions were carried out in accordance with the terms of the relevant sale and purchase agreements and on terms agreed between the parties having regard to commercial practice of the crude oil industry and international market conditions during the period the transactions were carried out.
- (ii) The jetty service fees were charged in accordance with the relevant service agreements and at rates based on the state-prescribed price regulated and standardised by the Ministry of Communications and government-approved prices approved by the Guangdong Price Bureau in the PRC.
- (iii) The insurance premium was calculated by reference to the provisions of a document jointly issued by its ultimate holding company and the Ministry of Finance in the PRC in 1998 and at a predetermined percentage as revised by its ultimate holding company from time to time.
- (iv) The vessel charter fee was charged in accordance with the relevant vessel charter agreements and were determined by reference to the prevailing market rate on a transaction-by-transaction basis.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 17 MATERIAL RELATED PARTY TRANSACTIONS (*continued*)

### (a) Transactions with intermediate holding company and fellow subsidiaries (*continued*)

Notes: (*continued*)

- (v) Rental expense was charged by a fellow subsidiary for leasing of office premises and a factory. The leases run for a period of three to thirty-two years and the monthly rent was determined at the market rate at the date when the lease arrangement was entered into.
- (vi) The amount represented the current deposit placed as at the end of the reporting period with fellow subsidiaries.
- (vii) The construction costs represented construction materials sold to the Group by the fellow subsidiaries and the design fee charged by the fellow subsidiaries for construction of oil depots in the PRC. The largest amount of construction costs paid to individual fellow subsidiary during the period was HK\$6,279,000.

### (b) Transactions with other state-controlled entities in the PRC

The Group operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as “state-controlled entities”).

Apart from transactions with the Group’s intermediate holding company and fellow subsidiaries as set out in Note 17(a), the Group has entered into transactions with other state-controlled entities including but not limited to the following:

- sales and purchases of crude oil;
- rendering and receiving services; and
- use of public utilities.

## 17 MATERIAL RELATED PARTY TRANSACTIONS (*continued*)

### (b) Transactions with other state-controlled entities in the PRC (*continued*)

#### (i) Transactions with other state-controlled entities

|   | <b>Six months ended 30 June</b> |                    |
|---|---------------------------------|--------------------|
|   | <b>2013</b>                     | <b>2012</b>        |
|   | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|   | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| Crude oil purchased<br>by the Group                 | <b>12,189,861</b>               | 9,952,467          |
| Jetty services charged<br>by the Group              | <b>11,256</b>                   | 11,718             |
| <hr/>   |                                 |                    |
|   | <b>As at</b>                    | <b>As at</b>       |
|   | <b>30 June</b>                  | <b>31 December</b> |
|   | <b>2013</b>                     | <b>2012</b>        |
|   | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|   | <b>(Unaudited)</b>              | <b>(Audited)</b>   |
| Amounts due from other<br>state-controlled entities | <b>5,386</b>                    | 4,702              |
| Amounts due to other<br>state-controlled entities   | <b>3,577</b>                    | 8,889              |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 17 MATERIAL RELATED PARTY TRANSACTIONS (*continued*)

### (b) Transactions with other state-controlled entities in the PRC (*continued*)

#### (ii) Transactions with state-controlled banks

The Group deposits its cash with several state-controlled banks in the PRC. The interest rates of the bank deposits in the PRC are regulated by the People's Bank of China. The Group's interest income received from these state-controlled banks in the PRC are as follows:

|                 | <b>Six months ended 30 June</b> |                    |
|-----------------|---------------------------------|--------------------|
|                 | <b>2013</b>                     | <b>2012</b>        |
|                 | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|                 | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| Interest income | <b>28,637</b>                   | 14,834             |

The amounts of cash deposited at state-controlled banks in the PRC are summarised as follows:

|                           | <b>As at</b>       | <b>As at</b>       |
|---------------------------|--------------------|--------------------|
|                           | <b>30 June</b>     | <b>31 December</b> |
|                           | <b>2013</b>        | <b>2012</b>        |
|                           | <b>HK\$'000</b>    | <b>HK\$'000</b>    |
|                           | <b>(Unaudited)</b> | <b>(Audited)</b>   |
| Cash and cash equivalents | <b>1,764,377</b>   | 2,356,857          |

## 17 MATERIAL RELATED PARTY TRANSACTIONS (*continued*)

### (c) Transactions with associated companies and joint ventures

During the period, the Group has interest income of HK\$7,662,000 arising from the amounts due from an associated company and joint ventures.

## 18 BUSINESS COMBINATION

In October 2012, the Group entered into an acquisition agreement to acquire 80% and 15% of the equity interest in PT. West Point Terminal (“PWT”) from PT. Batam Sentralindo and PT. MAS Capital Trust at considerations of Rp.4,000,000,000 (equivalent to approximately HK\$3,234,000) and Rp.750,000,000 (equivalent to approximately HK\$606,000) respectively. The acquisition was completed in March 2013 and PWT became a subsidiary of the Group.

As at 30 June 2013, PWT has not yet commenced operation and its intended principal activity is construction of oil storage tanks and terminals ancillary facilities in Batam, Indonesia. The Group is currently in the process of performing fair value assessments on the net identifiable assets of PWT as at the acquisition date in accordance with HKFRS 3, Business Combination. At 30 June 2013, the Group has not finalised the fair value assessments for these net identifiable assets.



# INTERIM DIVIDEND

## INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK1.5 cents per share to shareholders whose names appear on the register of members of the Company on 19 September 2013.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 September 2013 (Monday) to 19 September 2013 (Thursday) (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend, all share transfers, accompanied by relevant share certificates, must be lodged with Tricor Secretaries Limited, the share registrar of the Company, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 13 September 2013 (Friday). The cheques for dividend payment will be sent on or around 18 October 2013 (Friday).

# OTHER INFORMATION

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2013, none of the Directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) ("SFO")), which is required to be recorded in the register kept under section 352 of the SFO or otherwise required to be notified by Directors and the chief executive of the Company to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers set forth in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange ("Listing Rules").

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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 2013, had interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

| Name of shareholder                   | Nature of interest | Number of ordinary shares | Capacity   | Percentage of the issued share capital of the Company |
|---------------------------------------|--------------------|---------------------------|------------|---|
| Sinopec Kantons International Limited | Corporate          | 1,500,000,000             | Beneficial | 60.33%  |

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

# OTHER INFORMATION

## CORPORATE GOVERNANCE

The Group has complied with the applicable code provisions of the Corporate Governance Code (the “**Code**”) in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2013, except the chairman of the Board was unable to attend the Company’s annual general meeting held on 10 June 2013 (which was required under the Code provision E.1.2) due to work engagement.

## PLACING OF SHARES

Pursuant to the general mandate granted at the 2012 annual general meeting, the Company placed a total of 412,500,000 shares on 3 May 2013, representing approximately 19.89% of its total issued share capital before placing. Upon completion of the share placing, the total number of issued shares of the Company increased to 2,486,160,000 shares.

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

As disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2013.

## SHARE OPTION SCHEME

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

## AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors of the Company. The Audit Committee has reviewed with the management and external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of financial reports. The Audit Committee has reviewed the unaudited interim financial information for the six months ended 30 June 2013.

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## CODE FOR SECURITIES TRANSACTIONS

In respect of the securities transaction conducted by the Directors, the Group has adopted a code of conduct on terms no less exacting than the required standards set out in the Model Code on 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 2013, all the Directors confirmed that they have met with the standards of the Model Code on Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

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## OTHER INFORMATION

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### 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 2013.

By order of the Board

**Dai Zhao Ming**

*Chairman*

Hong Kong, 30 August 2013