

INTERIM REPORT 2013



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





GROWTH, SUSTAINABILITY &
BREAKTHROUGH



CONTENTS

Corporation Information	2
Management Discussion & Analysis	3
Review Report	9
Unaudited Condensed Consolidated Income Statement	11
Unaudited Condensed Consolidated Statement of Comprehensive Income	12
Unaudited Condensed Consolidated Statement of Financial Position	13
Unaudited Condensed Consolidated Statement of Changes in Equity	15
Unaudited Condensed Consolidated Statement of Cash Flows	17
Notes to the Unaudited Interim Financial Information	18
Interim Dividend	44
Other Information	45

CORPORATION INFORMATION

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
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STATUTORY ADDRESS

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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 m³ 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.

REVIEW REPORT

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	
		2013	2012
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	13,049,149	11,702,020
Cost of sales		(12,978,003)	(11,523,937)
Gross profit		71,146	178,083
Other net income/(loss)		24,032	(2,573)
Distribution costs		(9,313)	(5,001)
Administrative expenses		(65,840)	(14,185)
Operating profit	5	20,025	156,324
Finance income		35,297	16,283
Finance costs		(3,807)	(1,221)
Finance income-net		31,490	15,062
Share of profits less losses of:			
– associated companies		63,586	47,113
– joint ventures		165,902	–
Profit before taxation		281,003	218,499
Income tax expense	6	(50,172)	(40,926)
Profit for the period		230,831	177,573
Attributable to:			
Equity holders of the Company		230,864	177,573
Non-controlling interests		(33)	–
		230,831	177,573
Basic and diluted earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)	8	10.52	10.50
Interim dividend	7	37,292	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	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	230,831	177,573
Other comprehensive income for the period:		
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	–
Total comprehensive income for the period	340,755	167,197
Total comprehensive income attributable to:		
Equity holders of the Company	340,788	167,197
Non-controlling interests	(33)	–
	340,755	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 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,847,562	1,855,242
Investment properties		15,239	15,568
Prepaid land lease payment		74,069	74,906
Interest in associated companies	10	607,738	526,765
Interest in joint ventures	11	4,960,704	2,305,431
Total non-current assets		7,505,312	4,777,912
Current assets			
Inventories	12	39,867	48,355
Trade and other receivables	13	518,598	628,929
Tax recoverable		4,955	4,955
Cash and cash equivalents	14	1,866,285	2,404,982
Total current assets		2,429,705	3,087,221
Total assets		9,935,017	7,865,133
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		248,616	207,366
Reserves		9,199,210	6,300,578
Equity attributable to equity holders of the Company		9,447,826	6,507,944
Non-controlling interests		9,587	–
Total equity		9,457,413	6,507,944

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2013

	Note	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		3,909	2,300
Current liabilities			
Trade and other payables	15	464,559	1,344,666
Income tax payable		9,136	10,223
Total current liabilities		473,695	1,354,889
Total liabilities		477,604	1,357,189
Total equity and liabilities		9,935,017	7,865,133
Net current assets		1,956,010	1,732,332
Total assets less current liabilities		9,461,322	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						Subtotal HK\$'000 (Unaudited)	Non- controlling interests HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Merger reserve HK\$'000 (Unaudited)	General reserves HK\$'000 (Unaudited)	Exchange reserve HK\$'000 (Unaudited)	Retained earnings HK\$'000 (Unaudited)			
Balance at 1 January 2012	103,683	333,857	23,444	189,908	525,307	1,649,383	2,825,582	-	2,825,582
Comprehensive income:									
Profit for the period	-	-	-	-	-	177,573	177,573	-	177,573
Other comprehensive income									
Exchange differences									
on translation:									
- Subsidiary	-	-	-	-	(10,119)	-	(10,119)	-	(10,119)
- Associated companies	-	-	-	-	(257)	-	(257)	-	(257)
Total comprehensive income for the period	-	-	-	-	(10,376)	177,573	167,197	-	167,197
Transaction with owners									
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)
Total transaction with owners		103,683	3,359,260	-	61,478	-	(102,951)	-	3,421,470
Balance at 30 June 2012		207,366	3,693,117	23,444	251,386	514,931	1,724,005	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							Non-controlling interests	Total
	Share capital	Share premium	Merger reserve	General reserves	Exchange reserve	Retained earnings	Subtotal		
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (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 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 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	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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash generated from operations	110,507	224,444
Tax paid	(49,650)	(28,892)
Net cash generated from operating activities	60,857	195,552
Net cash used in investing activities	(3,274,926)	(506,449)
Net cash generated from financing activities	2,654,313	3,194,295
Net (decrease)/increase in cash and cash equivalents	(559,756)	2,883,398
Cash and cash equivalents at 1 January	2,404,982	771,753
Effect of foreign exchange rate changes on cash and cash equivalents	21,059	(3,309)
Cash and cash equivalents at 30 June	1,866,285	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	Trading of crude oil		Crude oil jetty services		Vessel charter services		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
30 June	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue								
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)
Revenue from external customers	12,610,643	11,111,536	267,538	317,903	170,968	272,581	13,049,149	11,702,020
Reportable segment profit/(loss)	(17,795)	(3,559)	99,477	153,481	(80,183)	3,726	1,499	153,648
Finance income	-	-	126	457	-	-	126	457
Finance costs	(1,904)	(265)	-	-	(1,903)	(265)	(3,807)	(530)
Depreciation and amortisation								
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	As at	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	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)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets	16,817	20,368	2,376,949	2,492,837	87,934	94,228	2,481,700	2,607,433
Reportable segment liabilities	203,721	110,703	57,898	109,181	203,912	145,402	465,531	365,286

4 REVENUE AND SEGMENT REPORTING (continued)

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	13,049,149	11,702,020
Profit		
Reportable segment profit	1,499	153,648
Elimination of inter-segment profit	(709)	(1,113)
Reportable segment profit derived from the Group's external customers	790	152,535
Unallocated other income and finance income	51,638	11,388
Unallocated depreciation and amortisation	(128)	(57)
Unallocated finance costs	-	(691)
Share of profits less losses of:		
– associated companies	63,586	47,113
– joint ventures	165,902	-
Unallocated other corporate (costs)/income	(785)	8,211
Profit before taxation	281,003	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 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Assets		
Reportable segment assets	2,481,700	2,607,433
Interest in associated companies	607,738	526,765
Interest in joint ventures	4,960,704	2,305,431
Unallocated corporate assets	1,884,875	2,425,504
Total assets	9,935,017	7,865,133
Liabilities		
Reportable segment liabilities	465,531	365,286
Unallocated corporate liabilities	12,073	991,903
Total liabilities	477,604	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 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Hong Kong	189,159	32,239
PRC	5,638,116	4,745,673
Overseas	1,678,037	–
Total non-current assets	7,505,312	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):

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

6 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend, declared	37,292	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**

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend approved in the interim period, of HK2.0 cents (six months ended 30 June 2012: HK2.0 cents) per ordinary share	49,723	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 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Share of net assets	584,232	511,360
Amount due from an associated company	23,506	15,405
	607,738	526,765

11 INTEREST IN JOINT VENTURES

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Share of net assets	4,766,347	2,305,431
Amounts due from joint ventures	194,357	–
	4,960,704	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 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Fuel oil for vessels	35,557	44,538
Spare parts	4,310	3,817
	39,867	48,355

13 TRADE AND OTHER RECEIVABLES

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Trade receivables		
– Amounts due from intermediate holding company and fellow subsidiaries	498,229	597,368
– Third parties	3,718	6,005
	501,947	603,373
Other receivables and prepayments		
– Amounts due from intermediate holding company and fellow subsidiaries	7,239	298
– Third parties	9,412	25,258
	16,651	25,556
	518,598	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 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Current	77,086	88,433
Less than 1 month past due	25,600	53,303
1 to 3 months past due	71,331	96,244
More than 3 months past due but less than 12 months past due	327,930	365,393
Amounts past due	424,861	514,940
	501,947	603,373

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

14 CASH AND CASH EQUIVALENTS

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

15 TRADE AND OTHER PAYABLES

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Trade payables		
– Amount due to a fellow subsidiary	70	66
– Third parties	261	34,765
	331	34,831
Amounts due to immediate and intermediate holding companies and fellow subsidiaries	183,057	182,806
Creditors and accrued charges	70,270	147,649
Consideration payable to acquire equity interest in joint ventures	161,178	979,380
Dividend payable	49,723	–
	464,559	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 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Due within 1 month or on demand	261	34,765
Due after 1 month but within 3 months	70	66
	331	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 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Contracted but not provided for	1,852,751	1,913,270
Authorised but not contracted for	721,271	696,422
	2,574,022	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 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Within 1 year	236,877	197,933
After 1 year but within 5 years	201,450	263,130
After 5 years	7,603	7,792
	445,930	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))	12,610,643	11,111,536
Crude oil purchased from a fellow subsidiary and related charges (note (i))	194,203	761,262
Jetty service fees charged to an intermediate holding company and a fellow subsidiary (note (iii))	256,204	306,185
Vessel charter service fee charged to a fellow subsidiary (note (iv))	168,971	221,424
Fuel oil purchased from a fellow subsidiary (note (i))	–	441
Insurance premium charged by a fellow subsidiary (note (ii))	2,520	2,450
Interest expense charged by a fellow subsidiary	3,807	1,221
Rental expense charged by a fellow subsidiary (note (v))	659	1,687
Cash and cash equivalents placed in fellow subsidiaries (note (vi))	95,292	3,551
Construction costs charged by fellow subsidiaries (note (vii))	14,803	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

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

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income	28,637	14,834

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

	As at	As at
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Cash and cash equivalents	1,764,377	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.

OTHER INFORMATION

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